

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF
SOCIETATEA DE INVESTIȚII FINANCIARE BANAT-CRIȘANA SA**

Report on the audit of the consolidated financial statements

Our qualified opinion

In our opinion, except for the effects of the matters described in paragraph 1 and the potential effects of the matters described in paragraph 2 and 3 in the Basis for qualified opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of Societatea de Investiții Financiare Banat-Crișana SA (the “Company”) and its subsidiaries (“the Group”) as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS EU”), the Commission 's interpretation as described in Note 1 and in accordance with Financial Supervisory Authority (“FSA”) Norm 39/2015 for “approving accounting regulation in accordance with International Financial Reporting Standards, applicable for entities authorised, regulated and supervised by the Financial Supervisory Authority from the Capital Market Sector” with subsequent amendments (“Norm 39/2015”).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of comprehensive income for the year ended 31 December 2017;
- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information,

presenting the following:

- | | |
|------------------------------|--------------------|
| • Total equity and reserves: | RON 2,341,652,003; |
| • Net profit for the year: | RON 111,592,065. |

The Company's registered office is in Arad, Calea Victoriei 35 A, and the Company's unique fiscal registration code is RO 2761040.

Basis for qualified opinion

As of 31 December 2017 and 31 December 2016, the Group has not consolidated two of its subsidiaries, namely Pont Agrinvest SRL and Pont Automall SRL. Management of the Group could not obtain financial statements of these subsidiaries prepared in accordance with EU IFRS and Norm 39/2015 neither for 2017 or 2016, but the statutory financial statements of these companies for the year ended 31 December 2017 show combined negative equity of RON 30,017,834 (2016: RON 19,129,552) and combined cumulated negative retained earnings amounting to RON 30,018,315 (2016: RON 19,273,168). We could not evaluate the effect of this departure from the Norm 39/2015 for the years ended 31 December 2017 and 31 December 2016. Our opinion for year ended 31 December 2016 has been modified accordingly.

As of 31 December 2015, one of the Group's subsidiaries had land and buildings with a carrying value of RON 41,881,672 (Note 22). Some of the land and buildings were revalued as at 31 December 2012 and no new valuation of the subsidiary's properties was performed until and as of 31 December 2015, resulting in a mixed valuation of the land and buildings at both cost and revalued amounts. The effect of this departure from EU IFRS and Norm 39/2015 for the property plant and equipment and related deferred taxes and the retained earnings of the Group as of 31 December 2015, as well as on the profit of the Group for the year then ended could not be estimated. These properties have been revalued as of 31 December 2016, resulting in a fair value decrease of RON 10,873,575. However, we were not able to determine whether part of this decrease should have recorded in the period prior to 1 January 2016. As a result, we were unable to determine whether there is any impact on the comparability of the current period figures and the corresponding figures in the consolidated statement of comprehensive income. Our opinion for year ended 31 December 2016 has been modified accordingly.

As of 31 December 2015, the Group presented in its consolidated statement of financial position land and buildings (Note 22) of one of the Group's subsidiaries with a carrying value of RON 15,332,558, recorded at revalued amounts. The fair values of these properties were determined based on a valuation report as of 31 December 2013, which contained very limited information with respect to the methodology and input data used to determine the fair values of these properties. These properties have been revalued as of 31 December 2016, resulting in a fair value increase of RON 9,447,785, however, we were not able to determine whether part of this increase should have recorded in the period prior to 1 January 2016. As a result, we were unable to determine whether there is any impact on the comparability of the current period figures and the corresponding figures in the consolidated statement of comprehensive income. Our opinion for year ended 31 December 2016 has been modified accordingly.

We conducted our audit in accordance with International Standards on Auditing ("ISAs") Regulation EU 537/2014 of the European Parliament and the Council (the "Regulation") and Law 162/2017. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

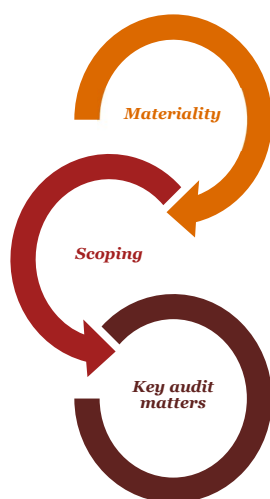
We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, including the Regulation and Law 162/2017. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Group are in accordance with the applicable law and regulations in Romania and that we have not provided non-audit services that are prohibited under Article 5(1) of Regulation.

The fees for the non-audit services that we have provided to the Group, in the period from 1 January 2017 to 31 December 2017 are disclosed in note 9 to the consolidated financial statements.

Our audit approach

Overview



Overall materiality: RON 23.4 million, which represents 1% of total net assets.

We conducted audit work on the Company and its main subsidiaries which are located in Romania. Three components were considered individually financially significant - SIF Banat Crisana SA (parent entity), Vrancart SA (subsidiary) and SIF Imobiliare PLC (subsidiary). Seven additional components were also included in the scope of the Group audit.

We have included as key audit matters:

- Valuation of financial assets; and
 - Valuation of land and buildings for own use and investment property.
-

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

| | |
|--|---|
| Overall materiality | RON 23.4 million |
| How we determined it | 1% of the net assets of the Group at 31 December 2017 |
| Rationale for the materiality benchmark applied | We have applied net assets as the benchmark, being a common measure of the performance of investment funds. We chose 1%, which is within the range of acceptable quantitative materiality thresholds used for investment funds. |

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the Basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

| Key audit matters | How our audit addressed the key audit matter |
|--|---|
| <p><i>Valuation of financial assets</i></p> <p>We focused on this area because management makes complex and subjective judgements over valuation models and related inputs.</p> <p>These assets and the returns they generate are significant in the context of both the Group’s financial position and financial performance. They are measured at fair value using market quotations.</p> <p>For more information on the valuation of financial assets refer to Note 2 c) Basis of Preparation, Note 3 d) Significant Accounting Policies, Note 6 Critical Accounting Estimates and Judgements and Note 17 Available for sale financial assets.</p> | <p>We have analysed the Group’s accounting policies in respect of measurement and valuation of financial assets, to determine if these accounting policies are in compliance with the requirement of IFRS EU.</p> <p>Our procedures in relation to management’s valuation of financial instruments included:</p> <ol style="list-style-type: none"> 1) In respect of the portfolio of listed shares and corporate and state bonds, we verified that the price used by management to value the financial assets is appropriate by comparison to independent pricing sources. 2) For investments in closed funds, the value of the investments in closed funds is communicated to the Group by the fund’s trustee at the end of financial year. The investments made by these funds were in highly liquid listed shares and bonds and we checked the valuations of these investments to latest market quotations as of 31 December 2017 and recalculated the net asset value of the closed funds. <p>No significant exceptions were identified as a result of our work.</p> |
| <p><i>Valuation of land and buildings for own use and investment property</i></p> <p>We focused on this area because management makes complex and subjective judgements over valuation models and related inputs.</p> | <p>We have analyzed the Group’s accounting policies in respect of valuation of Land and buildings and Investment Property measured at fair value, to determine if these accounting policies are in accordance with the requirement of IFRS as adopted by EU.</p> <p>Our procedures in relation to valuation done by internal and external appraisers for land and buildings for own use and investment property included:</p> |

| Key audit matters | How our audit addressed the key audit matter |
|---|---|
| <p>These assets and the returns they generate are significant in the context of both the Group’s financial position and financial performance. They are measured at fair value both using market information and significant unobservable inputs. The major areas of judgements relate to unobservable inputs, such as: rental rates, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value.</p> <p>Management uses internal and external qualified appraisers to determine the fair values of these assets. Because, in some cases, only limited comparable transactions in the current market exist, it is often challenging to corroborate the appraisal values with market transactions and therefore an inherent risk in the appraised values remains.</p> <p>For more information on the valuation of land and buildings refer to Note 2 c) Basis of Preparation, Note 4 g), i) Significant Accounting Policies, Note 6 Critical Accounting Estimates and Judgements and Note 22 Property, plant and equipment and Note 21 Investment property.</p> | <ol style="list-style-type: none"> 1) evaluation of the objectivity, independence and expertise of the internal and external appraisers; 2) assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property market; 3) involvement of our own auditor’s experts in the audit of valuation of land and buildings and investment property to assess the appropriateness of the estimates used in the calculation of the fair value of the land and buildings for own use and investment properties (amongst others, market rental rates per square meter, industrial and residential land area selling prices, vacancy rates, non-recoverable expenses, lease incentives, maintenance costs, discount rates and estimated terminal value). <p>No unadjusted exceptions were identified as a result of our work.</p> |

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting process and controls, and the industry in which the Group operates.

Societatea de Investiții Financiare Banat-Crișana SA is the parent company of a group of entities. The group audit focused on the significant components. Financially significant components required an audit of their complete sets of financial statements. Three components were considered individually financially significant. This was primarily determined based on quantitative criteria, but also took into account our assessment of the risk profile of components (qualitative assessment). Seven additional components were included in the scope of the group audit to achieve sufficient coverage on individual items in the consolidated financial statements.

For the remaining components we performed, amongst others, analytical procedures to corroborate our assessment that there were no significant risks of material misstatements within those components. Where the work was performed by component auditors, we determined the level of involvement we needed to have in their audit work to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the consolidated financial statements as a whole. We performed risk assessment at subsidiary level to identify risk areas. We shared both the risks that were identified by us and requirements relating to the audit approach from the auditors of the components by sending them instructions. At the start of the audit, we communicated the identified risks, including the risk of a material misstatement due to fraud, with the auditors of the components. The component auditors also communicated to us the risks that were identified by the auditors of the components. This did not lead to a revision of our risk assessment. During the audit, we had meetings with the auditors of the components where we discussed risks, the audit approach, status of the audit, findings and conclusions. The Group engagement team reviewed the audit work in the files of auditors of the financially significant components to assess the appropriate level of audit procedures performed by the auditors of the components. Closing meetings were held with the auditors of the components to discuss the financial results, and the findings from the audit.

The Group consolidation process and the consolidated financial statement disclosures were audited by the Group engagement team. By performing the procedures described above at components' level, combined with additional procedures at the Group level, we have obtained sufficient and appropriate audit evidence regarding the consolidated financial statements of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

We also ensured that the audit team included the appropriate skills and competences, which are needed for the audit.

In establishing the scope of our audit work, we determined the nature and extent of work to be performed both at the reporting units and at the consolidated level.

For the Company and its subsidiaries we designed and performed audit procedures considering their contribution in the Group's financial performance and financial position.

By performing the procedures above at components level, combined with additional procedures at Group level, we have obtained sufficient and appropriate audit evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

Reporting on other information including the Administrators' Report

The administrators are responsible for the other information. The other information comprises the Administrators Report (which includes also the non financial statement prepared in accordance with Norm 39/2015 article 29), but does not include the consolidated financial statements and our auditor's report thereon, nor the non financial statement. We obtained these other information prior to the date of this auditor's report.

Our opinion on the consolidated financial statements does not cover the Administrators' Report, nor the non financial statement.

In connection with our audit of the consolidated financial statements, our responsibility is to verify if the non financial statement was provided. The non financial statement has been prepared by the management of the group.

In connection with our audit of the consolidated financial statements for the year ended 31 December 2017, our responsibility is to read the Administrators' Report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the Administrators Report, we read it and we report whether this was prepared in all material aspects in accordance with the Norm 39/2015, articles 29-30.

Based on the work undertaken in the course of our audit, in our opinion:

- a. the information given in the Administrator Report for the financial year for which the consolidated financial statements are prepared is consistent in all material aspects with the consolidated financial statements; and
- b. the Administrators report has been prepared in all material aspects in accordance with Norm 39/2015, articles 29- 30.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of the audit of the consolidated financial statements as at 31 December 2017, we are required to report if we have identified material misstatements in the Administrators Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this respect

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS EU, the Commission's interpretation as described in Note 1 and Norm 39/2015, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the

adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment

We were first appointed as auditors of the Group on 26 April 2016 for a period of three years, the last financial period to be audited being the financial year ending 31 December 2018.

The engagement partner on the audit resulting in this independent auditor's report is Monica Biota.

**Refer to the original signed
Romanian version**

Monica Biota

Statutory auditor registered with

the Chamber of Financial Auditors of Romania under no 1695/19 September 2006

On behalf of

PricewaterhouseCoopers Audit SRL

Address: 301-311, Barbu Vacarescu Street, Bucharest, Romania

Audit firm registered with

the Chamber of Financial Auditors of Romania under no 6/25 June 2001

Bucharest, 23 April 2018