

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF
SOCIETATEA DE INVESTIȚII FINANCIARE BANAT-CRIȘANA SA

Our qualified opinion

In our opinion, except for the effects of the matters described in paragraph 1 and the possible effects of the matters described in paragraphs 2 - 5 in the *Basis for qualified opinion* section of our report, the accompanying consolidated financial statements presents fairly, in all material respects the financial position of Societatea de Investiții Financiare Banat-Crișana SA (the “Company”) and its subsidiaries (the “Group”) as at 31 December 2016, and of its financial performance and its 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”).

What we have audited

The Group’s consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year ended 31 December 2016;
- 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.

Basis for qualified opinion

- 1 As of 31 December 2016 and 31 December 2015, the Group has not consolidated two of its subsidiaries, namely Pont Agrinvest SRL and Pont Automall SRL. Management of the Group could not provide financial statements of these subsidiaries prepared in accordance with Norm 39/2015 for neither 2016 or 2015, but the statutory financial statements of these companies for the year ended 31 December 2016 are showing combined negative equity in amount of Romanian Lei

(“RON”) 19,129,552 (2015: RON 18,856,240) and combined cumulated negative retained earnings amounting to RON 19,273,168 (2015: 18,856,640). We could not evaluate the effect of this departure from the Norm 39/2015 for the financial years ended 31 December 2016 and 31 December 2015.

- 2 As of 31 December 2014, the Group has not revalued investment property (Note 21) with the carrying value of RON 103,363,347. The effect of this departure from the Norm 39/2015 for the investment property and retained earnings of the Group as of 31 December 2015 as well as related deferred taxes and on the profit of the Group for the year then ended could not be estimated. The investment property of the Group was revalued as of 31 December 2015, resulting in a fair value increase of RON 2,982,889. However, it could not be determined whether part of this decrease should have recorded prior to 1 January 2015.
- 3 As of 31 December 2015, one of the Group’s subsidiaries had land and buildings with the 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 evaluation of the land and buildings of both cost and revalued amounts. The effect of this departure from the 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 10,873,575. However, we were not able to determine whether part of this decrease should have recorded period 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 relation to the property, plant and equipment, retained earnings and profit.
- 4 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 market values of these properties were determined based on a valuation report as of 31 December 2013 which did not contain sufficient information in respect of these properties’ fair value. The effect of this departure from the Norm 39/2015 for the property plant and equipment and the 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 ended 31 December 2015 could not be estimated. 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 period 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 relation to the property, plant and equipment, retained earnings and profit.
- 5 At 31 December 2015, the Group recorded Trade payables for the amount of RON 315,233 resulted from the acquisition of 95% of shares in Pont Agrinvest SRL and for the amount of RON 1,035,356 resulted from the acquisition of 100% shares in Pont Automall SRL.

At 31 December 2015, Group management could not provide sufficient evidence for the mechanism of price adjustment included in the acquisition contract for the two companies. As a consequence, it could not be determined whether any adjustments to trade payables and retained earnings at 31 December 2015, operating expenses and net profit for the year ended 31 December 2015 were necessary.

We conducted our audit in accordance with International Standards on Auditing (“ISAs”). 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.

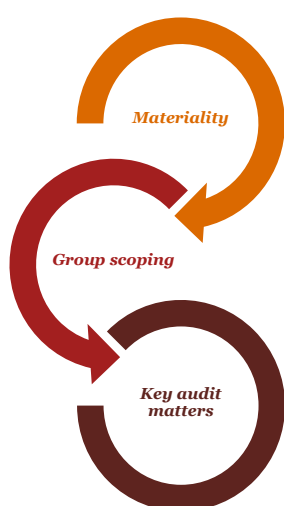
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our audit approach

Overview



Overall group materiality: RON 20 million, which represents 1% of total net assets

We conducted audit work on the Company and its main subsidiaries in Romania.

Two components were considered individually financially significant- SIF Banat Crisana (parent entity) and Vrancart SA (subsidiary). Thirty one additional components were included in the scope of the group

We have included as a key audit matters:

- Valuation of financial instruments
 - Valuation of land and buildings for own use and investment property
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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 group 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.

<i>Overall group materiality</i>	RON 20 million
<i>How we determined it</i>	1% of the net assets of the Group at 31 December 2016
<i>Rationale for the materiality benchmark applied</i>	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 matter	How our audit addressed the key audit matter
<p data-bbox="193 495 767 533"><i>Valuation of financial instruments</i></p> <p data-bbox="193 573 767 680">We focused on this area because management makes complex and subjective judgements over related inputs.</p> <p data-bbox="193 725 767 875">These assets are significant in the context of both the overall balance sheet and the results of the Group. They are measured at fair value using market information.</p> <p data-bbox="193 920 767 1140">For more information on the valuation of financial instruments refer to Note 2 c) Basis of Preparation, Note 4 d) Significant Accounting Policies, Note 6 Critical Accounting Estimates and Judgements and Note 17 Available for sale financial assets.</p>	<p data-bbox="767 495 1385 680">We have analyzed the Group’s accounting policies in respect of valuation of financial instruments, to determine if these accounting policies are in accordance with the requirement of IFRS-EU.</p> <p data-bbox="767 725 1385 792">Our procedures in relation to management’s valuation of investment instruments included:</p> <ol data-bbox="767 792 1385 1375" style="list-style-type: none"> <li data-bbox="767 792 1385 1016">1) In respect of the portfolio of listed shares and corporate and state bonds, evaluating the appropriateness of the use of market quotations in the context of where there was an inactive market for any of these instruments. <li data-bbox="767 1016 1385 1375">2) For the investments in closed funds, the value of the investments is communicated by the fund trustee at the end of financial year. The investments made by these funds were in highly liquid listed shares and bonds, we checked the valuations of these investments to latest market quotations as of 31 December 2016 and recalculated the net asset value of the closed funds. <p data-bbox="767 1420 1385 1485">No unadjusted exceptions were identified as a result of our work.</p>

Key audit matter	How our audit addressed the key audit matter
<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>These assets are significant in the context of both the overall balance sheet and the results of the Group and refer to land and buildings for own use and investment property. 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: cash flow forecasts, rental value, vacancy rates, 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. The values are determined using valuation models, where no observable market inputs is available. Because limited comparable transactions in the current market exist, it is challenging to validate 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 financial instruments refer to Note 2 c) Basis of Preparation, Note 4 g), 4i) Significant Accounting Policies, Note 6 Critical Accounting Estimates and Judgements and Note 22 Property, plant and equipment and Note 21 Investment property.</p>	<p>We have analyzed the Group’s accounting policies in respect of valuation of Assets measured at fair value for which no listed price in an active market is available, to determine if these accounting policies are in accordance with the requirement of IFRS-EU.</p> <p>Our procedures in relation to management’s valuation of Land and buildings for own use and investment property included:</p> <ol style="list-style-type: none"> 1) evaluation of the objectivity, independence and expertise of the external appraisers; 2) assessing the methodologies used and the appropriateness of the key assumptions based on our knowledge of the property industry; 3) 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, cash flow forecast, market rental prices/ square meter, industrial and residential land area selling prices, vacancy rates, maintenance costs, discount rates and estimated terminal value). <p>No unadjusted exceptions were identified as a result of our work at 31 December 2016. Refer to the <i>Basis for qualified opinion</i> section for conclusion on the opening balances.</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. Two components were considered individually financially significant. This was primarily determined based on quantitative criteria), extended based on our assessment of the risk profile of components (qualitative assessment). Thirty one additional components were included in the scope of the group audit to achieve sufficient coverage on individual items in the consolidated financial statements. In total, in performing these procedures, we achieved the following coverage on the financial line items: Income 100 %, Total assets 97.77%, Net assets 96.7%. The coverage percentages are based on the financial information of components covered by an auditor's report from the auditor of the component or those components that were subject to specified audit procedures. This means that in case of intermediate holding companies or other sub-consolidations the consolidated financial information is used to determine the coverage. The coverage of the audit of these intermediate holding companies or other subconsolidations are not taken into account.

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 identified increased risk areas based on our risk analysis of the risk of material errors in the consolidated financial statements. We shared both the risks that were identified by us and requirements relating to the audit approach with 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. We also communicated the risks that were identified by the auditor of the component. This did not lead to a revision of our risk assessment. During the audit, we had meeting with the auditors of the components about the risks, the audit approach, status of the audit and 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 auditor of the component. Closing meetings were held with the auditors of the components to discuss the financial results, the applied (important) accounting estimates, the findings from the audit. During these meetings specific attention was given to fraud or suspected (internal) fraud.

The group consolidation and financial statement disclosures were audited by the group engagement team.

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.

Other information

Report on conformity of the Administrators' Report

The Administrators are responsible for the preparation and fair presentation of the Administrators' Report in accordance with the requirements of Norm 39/2015, articles 29-30, and for such internal control as Management determines is necessary to enable the preparation of an Administrators' Report that is free from material misstatement, whether due to fraud or error.

The Administrators' Report is presented on page 1 to 32 and is not a part of the consolidated financial statements.

Our opinion on the consolidated financial statements does not cover the Administrators' Report.

In connection with our audit of the consolidated financial statements for the year ended 31 December 2016, our responsibility is to read the Administrators' Report and, in doing so, consider whether there are any significant inconsistencies between the Administrators' Report and the consolidated financial statements, whether the Administrator's Report includes, in all material respects, the information required by Norm 39/2015, articles 29-30, and whether, in light of our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2016 in respect of the Group and its environment, the information

included in the Administrators' Report is materially misstated. We are required to report in regard to these aspects. Based on the work undertaken in the course of our audit, we report that:

- a) we have not identified in the Administrators' Report information which is not consistent, in all material respects, with the information included in the accompanying consolidated financial statements;
- b) the above mentioned Administrators' Report includes, in all material aspects, the information required by the Norm 39/2015, articles 29- 30.

Also, in the light of our knowledge and understanding acquired during the audit of the consolidated financial statements for the year ended 31 December 2016 in respect of the Group and its environment, we have not identified material misstatements in the Administrators' Report.

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

Management is responsible for the preparation of the consolidated financial statements that are presented fairly, in all material respects in accordance with IFRS EU, the Commission's interpretation as described in Note 2 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the 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 Group'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 Group'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 Group 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.

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
Audit firm registered with
the Chamber of Financial Auditors of Romania under no 6/25 June 2001

Bucharest, 16 August 2017