

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

Report on the audit of the separate financial statements

Our opinion

In our opinion, the accompanying separate financial statements give a true and fair view of the financial position of Societatea de Investiții Financiare Banat-Crișana SA (the “Company”) as at 31 December 2017, 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 2 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 Company’s separate financial statements comprise:

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

presenting the following:

- Total equity and reserves: RON 2,291,240,143;
- Net profit for the year: RON 69,553,195.

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 opinion

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 separate 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 opinion.

Independence

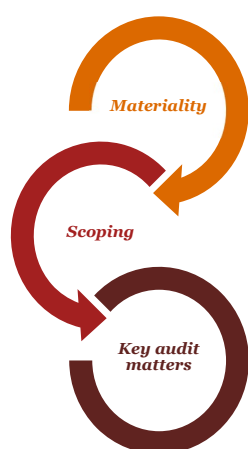
We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and the ethical requirements that are relevant to our audit of the separate financial statements in Romania, including the Regulation 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 Company 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 non-audit services that we have provided to the Company, in the period from 1 January 2017 to 31 December 2017 are disclosed in note 14 to the separate financial statements.

Our audit approach

Overview



Overall materiality: RON 22,9 million, which represents 1% of total net assets

We conducted audit work on the Company as a whole.

We have included as a key audit matters:

- Valuation of financial assets
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As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the separate 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 separate 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 separate financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the separate 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 separate financial statements as a whole.

Overall materiality	RON 22.9 million
How we determined it	1% of the net assets of the Company 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 separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p>Valuation of financial assets</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 Company's financial position and financial performance. Depending upon the nature of the financial assets, they are measured at fair value using market quotations where relevant or valuation models that make use of both market information and significant unobservable inputs. The major areas of judgements relate to unobservable inputs, such as:</p> <ul style="list-style-type: none"> – cash flows forecasts of unlisted companies; – discount rates and market rental rates and capitalisation rate for real estate companies. <p>When models are used to determine fair value, Management uses internal and external qualified appraisers. 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 financial assets refer to Note 2 c) Basis of Preparation, Note 3 e) Significant Accounting Policies, Note 5 Critical Accounting Estimates and Judgements and Note 18 Available for sale financial assets.</p>	<p>We have analysed the Company's accounting policies in respect of 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) Where no active market exists and in the case of unlisted shares: <ul style="list-style-type: none"> – evaluation of the objectivity, independence and expertise of the internal and external appraisers involved in the valuation; – assessment of the valuation methodologies used and the consistency and reasonableness of the key assumptions based on our knowledge of the industry and specifics of the Company's business; – involvement of our own auditor's experts in valuation of financial instruments to assess the appropriateness of the key estimates used in the calculation of the fair value of a sample of the financial assets (amongst others, cash flow forecasts, discount rates, market rental rates for real estate companies); and – testing on a sample basis, the appropriateness of the inputs. The main inputs consist of cash flow

Key audit matter**How our audit addressed the key audit matter**

forecasts and future growth rates for the unlisted companies, which we compared to the historical performance of the evaluated companies as well as to industry trends.

- 3) For investments in closed funds, the value of the investments in closed funds is communicated to the Company 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.

No significant exceptions were identified as a result of our work.

Reporting on other information including the Administrators' Report

Management is responsible for the other information. The other information comprises the Administrators Report (but does not include the separate financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report.

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

In connection with our audit of the separate 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 separate 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 of the separate financial statements, in our opinion:

- a. the information given in the Administrator Report for the financial year for which the separate financial statements are prepared is consistent in all material aspects with the separate 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 entity and its environment obtained in the course of the audit of the separate 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 separate financial statements

Management is responsible for the preparation and fair presentation of the separate financial statements 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 separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

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

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

Our objectives are to obtain reasonable assurance about whether the separate 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 separate 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 separate 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 separate 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 separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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 separate 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 Company 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, 26 March 2018