

## INDEPENDENT AUDITOR'S REPORT

To the shareholders of **TRANSILVANIA BROKER DE ASIGURARE S.A.**

**Bistrița, str. Calea Moldovei, nr. 13, jud. Bistrița-Năsăud**

### Report on the audit of the annual financial statements

#### *Opinion*

- 1 We have audited the accompanying financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. ("the Company"), whose registered office is in Calea Moldovei Street, No. 13, Bistrița, Bistrița-Năsăud County, CP 420096, Romania, identified by the unique taxpayer reference number 19044296, which comprise the balance sheet as at December 31, 2023, the profit and loss account, the statement of changes in equity, and the statement of cash flows for the year ended 31 December 2023, including a summary of the significant accounting policies and other explanatory information.
- 2 The annual financial statements as at 31 December 2023 are identified as follows
  - Total shareholder's equity: **RON 11,752,499**
  - The net result of the financial year: **RON 7,566,324**
- 3 In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2023, and of its financial performance and cash flows for the year then ended, in accordance with the applicable accounting regulations, namely Rule 36/2015 for the approval of accounting regulations regarding the individual annual financial statements and the consolidated annual financial statements

applicable to brokerage entities engaged in insurance and / or reinsurance distribution activities ("Rule 36/2015").

### ***Basis for opinion***

We conducted our audit in accordance with the International Standards on Auditing ("ISAs") and EU Regulation No 537 of the European Parliament and of the Council on specific requirements regarding statutory audit of public-interest entities (hereafter "the EU Regulation") and Law no. 162/2017 on the statutory audit of the annual financial statements and consolidated annual financial statements, and amending some normative acts ("the Statutory Audit Law"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants, issued by the *International Ethics Standards Board for Accountants* ("the IESBA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Romania, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### ***Key Audit Matters***

4 The Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed within the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and thus, we do not provide a separate opinion on these matters.

#### **i) Revenues from distribution activity**

The revenues from distribution activity (other activities related to the distribution activity) represent the highest share (99.54%) of the total turnover generated by the Company in the reporting period. The selection, projection and application of our audit procedures regarding these revenues were the result of some professional judgements exercised in the context of a significant volume of transactions, relatively constantly distributed in the reporting period. Our attention was focused on the aspects regarding the completeness, accurate recognition and measurement of these revenues. The audit procedures considered adequate responses in the circumstances of our audit, included:

- the examination of the degree of adequacy of the accounting policy adopted by the Company to recognize and evaluate revenues, in accordance with Rule 36/2015. A summary of the accounting policy is presented at section 2.1 - 2.20 of the Notes;
- detailed tests on the value of the commission fees due to the Company from the distribution activity, through reconciliation with the percentages agreed on with the insurance companies. In collecting our audit evidence, we took into account the operational controls established by the Company to validate the amounts settled with the insurers;
- the examination of cash received from the distribution activity, including after the balance sheet date to support the collection of receivables against insurers;
- obtaining written confirmations for the amounts due to the Company at the balance sheet date, representing commissions to be recovered from insurers.

**ii) Expenses with brokerage assistants**

Expenses regarding the amounts owed by the Company to brokerage assistants are a significant component of operating expenses incurred during the reporting period (89.70%), with a major impact on the gross profit margin in the distribution activity. In testing these expenses, we took into account as a priority the compliance with the contractual provisions for the remuneration of brokerage assistants, assumed by the Company's Management. Moreover, the existence and completeness, accurate recognition and measurement were criteria considered appropriate in addressing the expenses with brokerage assistants. Our responses included audit procedures such as:

- understanding the nature of expenses with brokerage assistants, in relation to the specific features of insurance distribution activities;
- reconciling amounts owed to brokerage assistants in accordance with the current contractual provisions;
- testing the effectiveness of internal controls regarding the authorization of payments to brokerage assistants;
- examining payments to brokerage assistants, including those made after the balance sheet date;
- obtaining written confirmations regarding the amounts recorded at the balance sheet date as liabilities to brokerage assistants, as well as for the annual turnovers related to these entities.

**iii) Litigation and disputes**

In performing its activities, the Company is exposed to potential losses as a result of administrative proceedings or court decisions.

The recognition of liabilities in the balance sheet as at 31 December 2023 or their presentation as contingent liabilities in the explanatory notes to the financial statements concluded on the same date, inherently involves professional judgment,

and is based on a series of assumptions, representations and assessments with significant impact.

The amounts involved can be material. The establishment of possible amounts, for the purpose of recognizing or presenting them in the financial statements, is by its nature a subjective process.

Our response aimed at understanding the risks of material misstatement related to management's assertions regarding litigation and disputes. Our audit procedures included, among others:

- obtaining and evaluating written representations received from lawyers and discussing with the Company's management and legal advisor the nature and status of litigation, as well as potential exposures. In this regard, special attention was paid to the ongoing litigation with Omniasig Vienna Insurance Group S.A., for which the Company recognized a provision for litigation amounting to RON 390,823 (Note 11) and presented contingent liabilities for penalties and court costs amounting to RON 500,000 (Note 19);
- critically evaluating the Company's assumptions and estimates regarding litigation and disputes, recognized liabilities or provisions, and contingent liabilities presented in the notes to the financial statements;
- assessing the extent to which the information in the explanatory notes to the individual annual financial statements regarding litigation and disputes adequately presents the Company's potential and probable liabilities as of the balance sheet date.

#### **iv) Repurchase of own equity instruments**

During the period from 15<sup>th</sup> of December 2022 to 28<sup>th</sup> of February 2023, the Company implemented a share repurchase program authorized by the General Shareholders' Meeting decision no. 14/07.09.2021 and implemented under the terms approved by the Board of Directors decision no. 27/14.12.2022. At the end of the stock buyback program, the Company notified the market operator BSE and the Financial Supervisory Authority regarding the repurchase of a total of 6,582 own shares worth RON 123,687, which will be subject to distribution in accordance with the terms of the Stock-Option-Plan program aimed at incentivizing and retaining key personnel within the Company, as part of the remuneration policy approved by the shareholders. According to the Current Report dated 2<sup>nd</sup> of March 2023, out of the total number of 6,582 own shares repurchased, a number of 5,655 own shares (representing 85.92% of the total shares targeted in the stock buyback program)

were repurchased in the period from 3 January 2023 to 28 February 2023, with a total value of RON 107,400. Regarding the share buyback program, the auditor's responses concerning the financial statements presented at 31 December 2023 consisted of:

- reviewing the current reports published by the Company regarding the quantities and values of own equity instruments repurchased during the program implementation period;
- examining the accounting records related to the share buyback program and reconciling them with the details of the current reports;
- testing and reconciling the amounts presented in the balance sheet and explanatory notes regarding the own shares repurchased by the Company.

#### *Other matters*

- 5 This report is exclusively addressed to the shareholders of the Company as a whole. Our audit was conducted to be able to report to the shareholders of the Company those aspects which we have to report on in a financial audit report, and not for other purposes. To the extent permitted by law, we only accept and take responsibility to the Company and the shareholders, as a whole, for our audit, for this report or for our opinion.
- 6 The enclosed financial statements are not meant to present the financial position and the results of operations in accordance with the accounting regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore, the enclosed financial statements are not prepared for the use of individuals who are not familiarized with the accounting and other regulations in Romania, including FSA Rule No 36/2015.
- 7 The current audit report was issued under the circumstances in which the shares issued by the Company are listed for trading on the Bucharest Stock Exchange (BSE).
- 8 We draw attention to Note 19 - Other information, Contingencies section, which presents information regarding a contingent liability amounting to RON 500,000 representing penalties and litigation expenses related to an ongoing dispute with the insurer Omniasig Vienna Insurance Group S.A. The Company's management believes that it is not necessary to recognize a provision for litigation at the balance sheet date of 31 December 2023, considering the lack of certainty regarding future cash outflows to settle these legal obligations. In relation to this litigation, the

Company has recognized provisions in the balance sheet amounting to RON 390,823 (Note 11 - Provisions), representing the best estimate at the reporting date of 31 December 2023 of future payment obligations to settle claims against the insurer Omniasig Vienna Insurance Group S.A. Our opinion is not subject to any modifications regarding this matter.

### *Other information – The Directors’ Report*

- 9 The directors are responsible for the preparation and presentation of other information. This other information includes the Directors’ Report, but does not include the financial statements and Auditor’s Report thereon. The directors are responsible for the preparation and presentation of the Directors’ Report in accordance with the requirements of paragraphs 427- 429 from Rule 36/2015 and for that internal control which the directors consider necessary to enable the preparation and presentation of the Directors’ Report which is free from any material misstatement, whether due to fraud or error.

Our opinion on the financial statements does not cover this other information and, unless explicitly stated in our report, we do not express any assurance conclusion on it.

In relation to the audit of the financial statements for the financial year ended 31 December 2023, it is our responsibility to read that other information and, in doing so, to assess whether that other information is materially inconsistent with the financial statements, or with the knowledge that we acquired during the audit, or if they appear to be materially misstated.

As for the Directors’ Report, we have read it and report whether it is prepared, in all material respects, in compliance with Rule 36/2015, paragraphs 427 – 429.

Based solely on the activities that must be performed during the audit of the financial statements, in our opinion:

- a) The information presented in the Directors’ Report as of the fiscal year for which the financial statements were prepared is consistent, in all material respects, with the financial statements
- b) The Directors’ Report was prepared, in all material aspects, in compliance with Rule 36/2015, paragraphs 427 – 429.

Moreover, based on our knowledge and understanding of the Company and its environment, acquired during the audit, we are required to report whether we have identified material misstatements in the Directors’ Report and in connection with that other information obtained before the date of this auditor's report. We have nothing to report on this issue.

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

- 10 The Company's management is responsible for the preparation and fair presentation of the financial statements in accordance with Rule 36/2015 and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- 11 In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, for the disclosure of, as applicable, matters related to going concern and for 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.
- 12 Those charged with governance are responsible for overseeing the Company's financial reporting process.

*Auditor's Responsibilities for the Audit of the financial statements*

- 13 Our objectives are to obtain reasonable assurance about whether the 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 ISA 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 financial statements.
- 14 As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. Moreover, we also:
  - Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures in response 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 collusions, 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 to the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
  - Assess the appropriateness of the applied accounting policies, the reasonableness of accounting estimates and related disclosure made by management.
  - Conclude on the appropriateness of 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 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 the 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 15 We communicate to those charged with governance, among other matters, the planned scope and timing of the audit, as well as the significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- 16 We also provide those charged with governance with a statement of our compliance with the ethical requirements regarding independence and disclose all relationships and other matters that may reasonably be considered to affect our independence and, where appropriate, the related safeguards.
- 17 From the matters communicated with those charged with governance, we determine which were of most significance in the audit of the financial statements of the current period and therefore are considered as key audit matters. These matters are described in our auditor's report, unless the law precludes public disclosure about the matter or, 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 provisions

### *Requirements regarding the audit of public interest entities*

18 We were appointed by the Ordinary General Meeting of Shareholders on 8 June 2017 to audit the financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. for the year ended on 31 December 2018. The audit mandate was renewed by the Decision of the Ordinary General Meeting of Shareholders no. 7 on 23 April 2019 for a three-year period and the Decision of the Ordinary General Meeting of Shareholders no. 10 on 27 April 2022 for a four-year period. The total uninterrupted duration of our engagement is 7 years, covering the financial years ended on 31 December 2017 through 31 December 2023.

We confirm that:

- Our audit opinion is consistent with the supplementary report submitted to the Company's Audit Committee, which we issued on the same date as this report. Moreover, in conducting our audit, we remained independent of the audited entity.
- We have not provided to the Company any prohibited non-audit services, mentioned in article 5, paragraph (1) of the Regulation (EU) no. 537/2014.

### *Report on compliance with Delegated Regulation (EU) 2018/815 on regulatory technical standards on the Single European Electronic Reporting Format (ESEF Regulation)*

19 We have performed a reasonable assurance engagement upon compliance with the ESEF Regulation applicable to the financial statements included in the annual financial report prepared by the Company for the reporting date 31<sup>st</sup> of December 2023, as presented in the Digital File that has been made available to us.

(i) *The responsibility of the management and persons in charge with governance for the preparation of the Digital File in accordance with the ESEF Regulation*

The management of the Company is responsible for the preparation of the Digital File in accordance with the ESEF Regulation. This responsibility includes:

- design, implementation and maintenance of internal control relevant for the application of the ESEF Regulation;
- ensuring compliance between the Digital File and the annual financial statements prepared in accordance with Rule 36/2015.

Those charged with governance are responsible for overseeing the process of compiling the Digital File in accordance with the ESEF Regulation.

*(ii) The auditor's responsibility for the audit of the Digital File*

We have the responsibility to express a conclusion upon the extent to which the financial statements included in the Company's annual financial report for the reporting period ended on 31 December 2023, are in accordance with the ESEF Regulation, in all material respects, based on the evidence obtained. Our reasonable assurance engagement was conducted in accordance with the International Standard on Assurance Engagements 3000 (revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) issued by the International Auditing and Assurance Standards Board (IAASB). In performing this engagement, we have designed and applied procedures to obtain evidence that allow us to draw a conclusion on the compliance of the Company's annual financial statements with the ESEF Regulation. The nature, timing and extent of the procedures selected depend on the auditor's professional judgement, including the assessment of the compliance risk with the provisions of the ESEF Regulation, caused either by fraud or error.

As part of our reasonable assurance engagement, we have considered:

- obtaining sufficient understanding of the process of preparing the Digital File in accordance with the ESEF Regulation, including the relevant internal controls; reconciliation of the Digital File with the audited annual financial statements of the Company, published in accordance with Rule 36/2015;
- assessment of the extent to which the financial statements included in the annual financial report are prepared in a valid XHTML format.

We believe that the evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion. In our opinion, the financial statements for the financial year ended on 31 December 2023 included in the annual financial report and presented in the Digital File comply, in all material respects, with the requirements of the ESEF Regulation.

In this section of the report, we do not express an audit opinion, a review conclusion or any other assurance conclusion regarding the company's annual financial statements. Our audit opinion on the Financial Statements of the Company for the financial year ended on 31 December 2023, is included in the Section *Report on the audit of the annual financial statements* in the introductory part.

*Report on the disclosures related to the remuneration policy*

- 20 In accordance with the provisions of Law no. 24/2017 regarding issuers of financial instruments and market operations, republished, with subsequent amendments (Law 24/2017), the Company has the obligation to submit a remuneration report,

approved by the shareholders of the Company. In fulfilling our obligations related to this issue, we have carried out procedures to ensure that the disclosures in the remuneration report: (i) meet the disclosure requirements established by Law 24/2017; (ii) are consistent with the remuneration policy adopted by the Company and with the understanding gained by the auditor on the remuneration criteria; and (iii) do not contain material misstatements in relation to the audited financial statements.

The engagement partner of the audit for which this independent auditor's report was prepared is Ramona Neag.

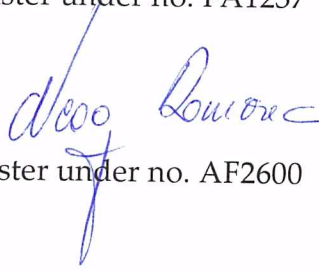
**For and on behalf of RAO AUDIT OFFICE S.R.L.:**

registered in the electronic Public Register under no. FA1237

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Registrul Public Electronic: FA 1237

**Audit Partner Neag Ramona, PhD**

registered in the electronic Public Register under no. AF2600



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Auditor financiar: NEAG RAMONA
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Registrul Public Electronic: AF 2600

Tg. Mureș, 19<sup>th</sup> of March 2024