

*Translation from Romanian into English*

## REPORT OF THE INDEPENDENT AUDITOR

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

**Bistrița, Bistrița-Năsăud county**

### Report on the individual yearly financial statements

#### *Opinion*

- 1 I have audited the annexed financial statements of the company TRANSILVANIA BROKER DE ASIGURARE S.A. ("the Company") which include the Balance Sheet on the 31<sup>st</sup> of December 2018, the Profit and Loss Account, The Situation of the changes in the own capital, the Situation of the Cash Flows, for the financial year concluded on the 31.12.2018 and a summary of the significant accounting policies and other explanatory notes.
- 2 The individual annual financial statements on the 31<sup>st</sup> of December 2018 are identified as follows:
  - Net current assets/ total own capitals: 4.592.925 lei
  - Net profit of the financial year: 3.958.526 lei
- 3 In our opinion, the annexed annual financial statements are offering a true image of the company's financial position on the 31.12.2017, as well as of its financial performance and cash flows for the financial year concluded at that date, according to the applicable accounting regulations, i.e. Regulation 36/2015 for the approval of the Accounting Regulations in respect of individual annual financial statements and the consolidated annual financial statements applicable to insurance and/ or reinsurance brokers ("Regulation 36/2015").

#### *Foundation of the opinion*

We have performed our audit according to the International Audit Standards ("ISA"), the EU Regulation No. 537 of the European Parliament and Council (hereinafter referred to as "the Regulation") and to Law No. 162/2017 ("the Law"). Our responsibilities based on these standards are described in detail in the section "Responsibilities of the Auditor in an audit of

the financial statements” from our report. We are independent to the Company, according to the requirements of professional ethics issued by the Council for International Ethic Standards for Accountants (the IESBA code) and we have fulfilled our other professional ethic responsibilities, according to these requirements and to the IESBA code. We think that the audit samples that we have obtained are sufficient and appropriate in order to supply a foundation for our opinion.

### ***Key aspects of the audit***

4 The key aspects of the audit are those aspects which, based on our professional reasoning, had the greatest importance for the audit of the financial statements of the current period. These aspects were approached in the context of the financial statements audit as a whole and in forming our opinion in respect of these financial statements and we do not offer a separate opinion in respect of these aspects.

#### **i) Assessment of the receivables**

According to the requirements of the applicable accounting regulations, the Company management is performing assertions in respect of the assessment of the receivables presented at the report date, presenting them at the value to which they are expected to be achieved. As mentioned in Point 7 “Commercial receivables and other receivables” of the Notes to the financial statements, there are receivables from various debtors, of which some are overdue. The collection of these receivables and the assessment of the adjustments for the depreciation of the receivables has represented a significant aspect under analyze.

Our answer in respect of the risk of significant misstatement in connection with the assessment of these receivables at the report date, materialized in audit procedures which have envisioned among others:

- Assessing the compliance of revenue recognition policies and commercial receivables;
- procedures for the direct confirmation of the balances of commercial receivables;
- verification of receipts from commercial receivables after the end of the year;
- assessment of internal procedures and methods used by the management in estimating the probable amount of receivable in relation to seniority of claims, customer litigation, and previous customer relationship experience;
- tests to recalculate adjustments for depreciation of receivables for those receivables whose maturity has been exceeded;
- obtaining and evaluating the responses received from lawyers and discussing with the management and the internal legal advisor of the Company the adjustments for depreciation of receivables, where applicable.

#### **ii) Litigations and disputes**

In performing its activities, the Company is exposed to potential losses as a consequence of administrative procedures or judicial decrees. As mentioned in Point 18 "Other information" of the Notes to the financial statements, the Company is involved in a series of litigations with business partners or other thirds.

The recognition of certain liabilities in the financial statements or presenting as contingency liability in the explanatory notes to the financial statements involves inherently the making of professional judgments and is based on a series of hypotheses, declarations and assessment of significant impact.

The amounts involved can be considerable. Establishing possible values, to the aim of recognizing or presenting them in the financial statements, is inherently based on a subjective reasoning, too.

Our answer has had in mind the understanding of the risks of significant denaturation existing in connection with the management's assertions in respect of litigations and disputes. Our audit procedures have pursued among others:

- to obtain and to assess the answers gotten from the lawyers and to discuss with the Company management the nature and stage of the litigations, as well as the potential exposures. In this respect, special attention was given to the pending litigation with Asiom (action in claims for the amount of 2.117.832 lei compensation and interest) presented at page 31 of the financial statements on the 31<sup>st</sup> of December 2018;
- critical assessment of the hypotheses and estimations of the Company in connection with litigations and disputes, the debts or provisions recognized and the contingent liabilities presented in the financial statements;
- assessment of the extent to which the information in the explanatory notes to the individual financial statements regarding litigations and disputes present the potential debts of the Company in an appropriate manner.

#### *Other aspects*

- 5 This report is addressed exclusively to the shareholders of the Company as a whole. Our audit was conducted to report to the Company's shareholders those matters that we need to report in a financial audit report, and not for other purposes. To the extent permitted by law, we only accept and assume responsibility to the Company and the shareholders as a whole for our audit, for this report or opinion formed.
- 6 The attached financial statements are not intended to present the financial position and results of operations in accordance with accounting regulations and accounting principles accepted in countries and jurisdictions other than Romania. Therefore, the attached financial statements are not prepared for the use of persons who are not familiar with the accounting and legal regulations in Romania, including Norm ASF no. 36/2015.

- 7 This audit report was issued in circumstances where shares issued by the Company are admitted to trading on BVB.

*Other information – Managers’ Report*

- 8 The Managers are responsible for compiling and presenting other information This other information includes the Managers’ Report but does not include financial statements and the auditor’s report in respect of these. The Managers are responsible to draw up and to present the Managers’ Report according to the stipulations of Points 427 – 429 Regulation 36/ 2015 and for the internal control deemed by the Managers to be necessary in order to allow the drawing up and presentation of the Managers’ Report which would not include significant misstatements, due to fraud or error.

Our opinion in respect of the financial statements does not cover this information too, and except for the case in which it is explicitly mentioned in our report, we do not express any insurance conclusion in respect of it.

Regarding the audit of the financial statements for the financial year concluded on the 31<sup>st</sup> of December 2018 our responsibility is to read that other information and, in this approach, to evaluate whether the information is significantly inconsistent with the financial statements or with the knowledge that we have obtained during the audit, or if they seem to be significantly misstated.

In respect of the Managers Report, we have read and report if it is drawn up, in all significant aspects, in compliance with the Regulation 36/ 2015, Points 427 – 429.

Based exclusively on the activities which must be carried out during the audit of the financial statements, in our opinion:

- a) The information presented in the Report for the financial year for which the financial statements were drawn up is consistent, in all significant aspects, with the financial statements;
- b) The Managers’ Report was drawn up, in all significant aspects, in accordance to Regulation 36/ 2015, Points 427 – 429.

In addition, based on our knowledge and understanding of the Company and its environment obtained during the audit, we are required to report whether we have identified material misstatements in the Manager's Report and in relation to that other information obtained before the date of this auditor's report. We have nothing to report regarding of this aspect.

*Responsibilities of the management and of the persons in charge with the governance for the financial statements*

- 9 The Company Management is responsible for drawing up financial statements which would offer a faithful image according to Standard 36/ 2015 and for the internal control deemed by the Managers to be necessary in order to allow the drawing up of financial statements which would not include significant misstatements, due either to fraud or error.
- 10 In drawing up the financial statements, the Management is responsible for the evaluation of the Company's capacity to continue activity, for the presentation, if applicable, of the aspects referring to the continuation of the activity and for the use of accounting based on the continued activity, except for the case in which the management intends either to liquidate the Company or to stop operations, or has no other realistic alternative beside these two.
- 11 The persons responsible for the governance are responsible for the surveillance of the financial reporting process of the Company.

*Responsibilities of the auditor in an audit of the financial statements*

- 12 Our aims are to obtain a reasonable insurance regarding the extent to which the financial statements, as a whole, are free of significant misstatements, caused either by fraud or by error, as well as to issue an auditor's report which includes our opinion. The reasonable insurance is a high level of insurance, but is no guarantee of the fact that an audit carried out according to ISA will always detect a significant misstatement, if there is one. Misstatements can be caused either by fraud, or by error, and are considered to be significant if one can reasonably expect that these, individually or together, shall influence the users' economic decisions, taken based on these financial statements.
- 13 As part of an audit according to ISA, we exercise professional judgment and maintain professional skepticism during the audit. Also:
  - We recognize and assess the risks of significant misstatement of the financial statements caused either by fraud or by error, we plan and execute audit procedures as a response to the respective risks and we obtain sufficient and appropriate audit samples in order to supply a foundation for our opinion. The risk not to detect a significant misstatement caused by fraud is significantly higher than the risk not to detect a significant misstatement caused by error, because fraud may involve secret arrangements, forgery, intentional omissions, untrue statements and avoidance of internal control.

- We understand the internal control relevant for the audit, in order to plan audit procedures appropriate to the circumstances, but without having the goal to express an opinion on the efficiency of the Company's internal control.
  - We assess the adequacy of the accounting policies used and the reasonable character of the accounting estimates and of the respective display of information made by the management.
  - We draw a conclusion in respect of the adequacy of the use by the management of the accounting based on the continuity of the activity and we determine, based on the audit samples obtained, whether there is a significant uncertainty in respect of events or terms which could generate significant doubts in respect of the Company's ability to continue the activity. If we reach the conclusion that there is a significant uncertainty, then, in the Auditor's report we must draw the attention on the respective representations in the financial statements or, if these representations are inadequate, alter our opinion. Our conclusions are based on the audit samples obtained up to the date of the auditor's report. Still, future events or circumstances may determine de Company not to operate any longer based on the principle of the continued activity.
  - We evaluate the presentation, structure and content of the financial statements, including disclosure of information, and the extent to which the financial statements reflect the transactions and events underlying them in a manner that results in a true presentation.
- 14 We communicate to the persons in charge of governance, among other points of view, the planned area and the scheduling of the audit in due time, as well as the main findings of the audit, including any significant deficiencies of the internal control which we find during the audit.
- 15 We also supply to the persons in charge of governance a statement regarding our conformity with the ethical requirements regarding independence and we inform in respect of all relations and further aspects which may be reasonably considered to affect our independence and, where applicable, the appropriate safety measures.
- 16 Of the issues communicated to the persons in charge of governance, we establish which had the greatest importance in auditing the financial statements of the current period and which are considered as key issues of the audit. These issues are described in our audit report, with the exception of the cases in which the law prohibits the publication of such information or, extremely rare, if we find that a certain issue should not be communicated in our report because the adverse consequences could reasonably exceed the public interest benefits of such communication.

*Report in respect of further legal provisions and regulation*

17 We were appointed by the Ordinary General Meeting of Shareholders on the 08.06.2017 to audit the financial statements of TRANSILVANIA BROKER DE ASIGURARE S.A. for the financial year concluded on the 31<sup>st</sup> of December 2018. December 2017. The total uninterrupted duration of our commitment is of 2 years, covering the financial year concluded on the 31<sup>st</sup> of December 2017 until the 31<sup>st</sup> of December 2018.

We confirm that:

- Our audit opinion is consistent with the additional report presented to the Company's Audit Committee, which we have issued at the same date on which we have issued this report too. Also, in conducting this audit we have kept our independence to the audited entity.
- We have not supplied for the Company prohibited non-audit services mentioned in Article 5 Paragraph (1) of the EU Regulation No. 537/ 2014.

**In the name of RAO AUDIT OFFICE S.R.L.:**

registered with the Chamber of the Financial Auditors  
of Romania with number 1237/2014

**Partner Auditor, Dr. Neag Ramona**

registered with the Chamber of the Financial Auditors  
of Romania with number 2600/2008

Tg. Mureş, 04.03.2019