

Societatea de Investiții Financiare Oltenia S.A.

Str. Tufănele, nr. 1

Craiova

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of Shareholders SIF Oltenia S.A.

Report on the audit of consolidated financial statements

Opinion

1. We audited the consolidated financial statements of Societatea de Investiții Financiare Oltenia S.A. ("the Group"), with its headquarters in Craiova, Str. Tufănele, no. 1, identified by the unique fiscal registration code 4175676, which includes the consolidated statement of financial position on 31 December 2017 and the consolidated statement of comprehensive income, the consolidated statement of changes in shareholders' equity and the consolidated cash flow statement for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.
2. The consolidated financial statements on 31 December 2017 are as follows:
 - Net assets / Total shareholders' equity 1.589.400.548 lei
 - Net income 71.945.871 lei
3. In our opinion, the consolidated financial statements offer a true and fair view of the Group's financial position on 31 December 2017, as well as of the financial performance and cash flows for the financial year then ended, in accordance with Norm no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervision Authority of the Financial Instruments and Investments Sector.

Base for the opinion

We conducted our audit in accordance with International Standards on Auditing (ISA), *EU Regulation no. 537 of the European Parliament and Council (hereinafter "the Regulation")* and Law no. 162/2017 ("the Law").

Our responsibilities under these standards are described in detail in the “Auditor’s responsibilities in an audit of financial statements” section of our report. We are independent of the Group, in accordance with the Ethics Code of Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA Code), according to the ethical requirements that are relevant for the audit of the financial statements in Romania, including the Regulations and the Law, and we have fulfilled the ethical responsibilities, according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key issues of the audit

4. Key audit issues are those aspects that, based on our professional judgment, have been of the highest importance for the audit of the consolidated financial statements of the current period. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them and we do not provide a separate opinion on these issues.

The main issues that were considered were:

Evaluation of available-for-sale financial assets

Note 5, to consolidated financial statements

Key issues

Unlisted assets are evaluated at amounts that are based on the equity of non-listed companies. This was a key area of the audit that required particular attention. At the same time, the impairment of unlisted available-for-sale financial assets was considered.

Approaching the issues

Our procedures included, but are not limited to:

- checking the documentation of the process of evaluation and recording of unlisted financial assets
- discussions with portfolio managers to evaluate the reasoning that applies to the registration of financial assets
- we obtained the latest available unit values, published of the net assets of the owned companies’ equity and we checked by sample whether the decrease in fair value was recorded correctly
- checking the correct recording of changes in fair value in the consolidated financial statements

Other information – Administrators’ Report

5. The directors are responsible for compiling and presenting other information. That other information includes the Directors’ Report but does not include the financial statements and the auditor’s report thereon.

Our opinion on the financial statements does not cover this other information, and

unless expressly stated in our report, we do not express any assurance as to its conclusion.

With regard to the audit of the financial statements for the financial year ended on 31 December 2017, it is our responsibility to read that other information and, in this regard, to assess whether that other information is materially inconsistent with the financial statements or with the knowledge that we have, we obtained during the audit, or if they appear to be significantly distorted.

Regarding the Directors' Report, we read and report on whether it was drawn up, in all material respects, in accordance with the CNVM/ASF Regulation no. 1/2006 and ASF Norm no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervision Authority of the Financial Instruments and Investments Sector.

On the sole basis of the activities to be performed during the audit of the financial statements, in our opinion:

- a) The information presented in the Directors' Report for the financial year for which the consolidated financial statements were prepared is consistent, in all material respects, with the consolidated financial statements.
- b) The Directors' Report was drawn up, in all material respects, in accordance with the ASF Norm no. 39/2015 for the approval of the Accounting Regulations in accordance with the International Financial Reporting Standards, applicable to entities authorized, regulated and supervised by the Financial Supervision Authority of the Financial Instruments and Investments Sector.

Additionally, based on our knowledge and understanding of the Group and its environment, acquired during the audit of the consolidated financial statements for the year ended on 31 December 2017, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue.

Responsibilities of the management and those responsible for governance for the financial statements

The management is responsible for the preparation of the consolidated financial statements that provide a true and fair view in accordance with ASF Norm no. 39/2015 for the approval of Accounting Regulations in accordance with International Financial Reporting Standards applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector and for the internal control that management deems necessary to enable the preparation of consolidated financial statements without significant misstatement, whether due to fraud or error.

6. In preparing the consolidated financial statements, management is responsible for

assessing the Group's ability to continue its activity, to present activity continuity and for using accounting based on activity continuity, if applicable, unless management either intends to liquidate the Group or stop operations or has no realistic alternative outside of them.

7. Those responsible for governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities in an audit of financial statements

8. Our objectives are to obtain reasonable assurance that the financial statements as a whole are free of significant material misstatement, whether due to fraud or error, and to the issuance of an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect significant misstatement, if any. The misstatements may be caused by either fraud or error and are considered significant if reasonable assumptions can be made that they, individually or in aggregate, will influence the economic decisions of users made on the basis of these consolidated financial statements.
9. As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional skepticism during the audit. Also:
 - We identify and evaluate the risks of significant material misstatement of the consolidated financial statements, whether due to fraud or error, we design and execute audit procedures in response to those risks, and obtain sufficient audit evidence to provide a basis for our opinion. The risk of not detecting significant misstatement caused by fraud is higher than the failure to detect a material misstatement caused by error, as fraud may involve secret, forgery, deliberate omissions, false statements, and avoidance of internal control.
 - We understand the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Group's internal control.
 - We assess the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures by management.
 - We formulate a conclusion on the adequacy of management's use of accounting based on activity continuity, and determine, based on the audit evidence we have obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the ability of the Group to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the accompanying disclosures in the consolidated financial statements or, if those disclosures are inappropriate, to change our opinion. Our conclusions are

based on audit evidence obtained by the date of the auditor's report. However, events or future conditions may cause the Group not to continue operating on an activity continuity basis.

- We evaluate the presentation, structure and overall content of the consolidated financial statements, including disclosures of information, and the extent to which the consolidated financial statements reflect the transactions and events underlying them in a manner that results in a fair presentation.
 - We obtain sufficient and appropriate audit evidence about the financial information of the Group's entities or business activities in order to express an opinion on the consolidated financial statements. We are responsible for coordinating, supervising and performing the Group's audit. We are solely responsible for our audit opinion.
10. We communicate to those responsible with governance, among other things, the planned area and timing of the audit, and the main findings of the audit, including any significant internal control deficiencies that we identify during the audit.
11. We also provide to those responsible for governance a statement that we have complied with the relevant ethical requirements for independence and that we have communicated to them all relationships and other matters that could reasonably be assumed to affect our independence and, where appropriate, the related protection measures.
12. Among the issues communicated to those responsible for governance, we determine what are the most important aspects of the audit of the consolidated financial statements of the current period and which are therefore key audit issues. We describe this in the auditor's report unless the laws or regulations prohibit public disclosure of the issue, or where, in very rare circumstances, we consider that an issue should not be disclosed in our report because it is reasonably expected that the benefits of the public interest are overcome by the negative consequences of this communication.

Report on other legal and regulatory provisions

13. We were appointed by the General Meeting of Shareholders on 26.08.2016 to audit the consolidated financial statements of Societatea de Investiții Financiare Oltenia S.A. for the financial year ended on 31 December 2017. The total uninterrupted duration of our commitment is 2 years, covering the financial years ended on 31 December 2017 and 31 December 2018.

We confirm that:

- Our audit opinion is in accordance with the additional report submitted to the Audit Committee of the Company, which we issued on the same date that we issued this report. Also, in conducting our audit, we have retained our independence from the audited entity.
- We did not provide for the Company the forbidden **non-audit services** referred



to in article 5 paragraph (1) of EU Regulation no. 537/2014.

On behalf of

JPA Audit și Consultanta S.R.L.

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Registered at the Chamber of Financial

Auditors of Romania under number 319/2003

Represented by

Florin Toma

C.A.F.R. 1747

Bucharest
22 March 2018