

## Societatea de Investiții Financiare Oltenia S.A.

Str. Tufănele, nr. 1

Craiova

## INDEPENDENT AUDITOR'S REPORT

*To the Shareholders of SIF Oltenia S.A.*

### Report on the Audit of the Individual Financial Statements

#### Opinion

1. We have audited the financial statements of the Societatea de Investitii Financiare Oltenia S.A. (SIF Oltenia S.A. or the "Company"), which comprise the statement of financial position as at December 31, 2018, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
2. The financial statements as at December 31, 2018 are identified as it follows:
  - Net Assets/Shareholders' Equity 1.760.119.782 lei
  - Net profit 96.259.800 lei
3. In our opinion, the accompanying financial statements present fairly, in all material respects the financial position of the Company as at December 31, 2018 and its financial performance and its cash flows for the year then ended in accordance with the A.S.F. Rule No. 39/2015 approving the Accounting Regulations compliant with International Financial Reporting Standards (IFRS), applicable to entities authorized, regulated and supervised by the Financial Supervisory Authority in the Financial Instruments and Investments Sector.

#### *Basis for Opinion*

4. We conducted our audit in accordance with International Standards on Auditing (ISAs), the EU Regulation no. 537 (further referred as the "Regulation") and the Law no. 162/2017 (the "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 within the meaning of the Ethics Code for Professional Accountants (IESBA Code) issued by the International Ethics Standards Board for Accountants and have fulfilled our other responsibilities under those ethical requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Key Audit Matters*

5. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. Our audit procedures relating to these matters were designed in the context of our audit of the financial statements as a whole and in forming an opinion on the financial statements and we do not express an opinion on these individual matters.

The main aspects that were considered were as follows:

Valuation of listed investments 1.319 mil lei (2017: 1.187 mil. lei)

*Note 3 e), note 4 c), note 15 to the financial statements*

#### *The risk*

The Company's portfolio of listed equity investments makes up 89,08% of the total portfolio (2017: 65.99%) and is considered a key driver of the performance results. We do not consider these investments to be at high risk of significant misstatement, or to be subject to a significant level of judgement because they comprise liquid, quoted investments. However, due to their materiality in the context of the financial statements as a whole, they are considered to be one of the areas which had a material effect on our audit strategy and allocation of resources in planning and completing our audit.

#### *Our response*

Our procedures over the valuation, existence and completeness of the Company's listed equity investment portfolio included, but were not limited to:

- documenting and assessing the processes in place to record investment transactions and to value the portfolio
- agreeing the valuation of 100 percent of investments in the portfolio to externally quoted prices
- external confirmation of the investment holding

Valuation of unlisted investments

*Note 3(e), 4(a) note 15 to the financial statements*

#### *The risk*

10,92% (2017: 34,01%) of the Company's portfolio is held in investments with no quoted market price. Unlisted investments are measured at values which are established based on share valuation reports prepared by professional appraisers. There is a risk over the valuation of these investments and this is one of the audit areas that our audit focused on.

#### *Our response*

Our procedures included but were not limited to:

- enquiry of the documentation of the valuation and measurement of the unlisted investments
- discussions with the investment managers on key judgments applied for the measurement of the unlisted investments
- evaluation of the competence, capabilities, and objectivity of the valuers

- checking the correct recording of the fair values in the financial statements

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

6. The directors are responsible for the preparation and presentation of other information. That information includes the Directors’ Report, but do not include the individual financial statements and the audit report.

The directors’ report is not part of the individual financial statements. Our opinion on the individual financial statements do not cover the director’s report.

In relation with the individual financial statements for the year ended December 31, 2018, our responsibility is to read that other information and to assess if this information differs significantly to the individual financial statements or if it is significantly misstated.

In relation with the Director’s Report, we have read and we report that it was prepared, in all material respects, in accordance with the ASF Rule no. 5/2018 and the Rule no. 39/2015 for entities supervised and regulated by the ASF.

In our opinion:

- a) Nothing was identified by us that makes us believe that the information presented in the director’s report, in all material respects, is not in accordance with the individual financial statements
- b) The director’s report mentioned above includes, in all material respects, the information requested by the A.S.F. Rule no. 39/2015 for the approval of the accounting regulations in accordance with the International Accounting Reporting Standards, applicable for the entities authorized, regulated and supervised by the Financial Supervisory Authority (“A.S.F.”) for the Financial Instruments and Investments Sector.

Based on our understanding and knowledge obtained during our audit on the S.I.F. Oltenia S.A. consolidated financial statements prepared for the year ended December 31, 2018 and, on its environment, we are asked to report if we have identified significant misstatements in the directors’ Report. We have nothing to report concerning this aspect.

### *Responsibilities of Management and Those Charged with Governance for the Financial Statements*

7. Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the ASF Rule 39/2015 and for such internal control as management determines is necessary to enable the preparation of individual financial statements that are free from material misstatement, whether due to fraud or error.
8. In preparing the individual 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.

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

*Auditor's Responsibilities for the Audit of the Financial Statements*

10. 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 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 financial statements.
11. 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 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 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 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 financial statements, including the disclosures, and whether the financial statements

represent the underlying transactions and events in a manner that achieves fair presentation.

12. 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.
13. 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.
14. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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**

According to art. 10 par. (20) of the EU Regulation no. 537/2014 we give the following information in our independent auditor's report, which are requested supplementary of the International Standards on Auditing.

15. We were nominated by the General Meeting of Shareholders in the date 26.08.2016 as auditors for the financial statements of SIF Oltenia S.A. for the year ended December 31, 2018. The total duration of our engagement is of 2 years, covering the years ended December 31, 2017 and December 31, 2018.
16. We confirm that our opinion on the financial statements is according to the supplementary report presented to the Audit Committee, issued in March 19, 2019 in compliance with the art. 11 of the EU Regulation no. 537/2014
17. We confirm that we have not deliver any other non-audit services as mentioned in the art. 5 par. (1) of the EU regulation no. 537/2014.

March 20<sup>th</sup>, 2019

In the name of:  
**JPA Audit și Consultanta S.R.L.**  
Registered Auditor C.A.F.R. nr. 319

Represented by  
Florin Toma  
C.A.F.R. nr. 1747

