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Independent Auditors' Report

(free translation¹)

To the Shareholders of Societatea de Investitii Financiare Muntenia S.A.

Headquarters: 16 Splaiul Unirii, Bucharest – 040035, Romania

Unique Registration Code: 3168735

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Societatea de Investitii Financiare Muntenia S.A. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The consolidated financial statements as at and for the year ended 31 December 2017 are identified as follows:

- | | |
|----------------------------|-------------------|
| • Total equity: | RON 1,551,146,878 |
| • Net Profit for the year: | RON 84,574,026 |

In our opinion, the accompanying consolidated financial statements as at and for the year ended 31 December 2017 give a true and fair view of the consolidated financial position of the Group as at 31 December 2017 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Norm of the Financial Supervisory Authority no.

¹ TRANSLATOR'S EXPLANATORY NOTE: The above translation of the auditors' report is provided as a free translation from Romanian which is the official and binding version and refers to the Romanian official and binding version of the consolidated financial statements.



39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs), Regulation (EU) no. 537/2014 of the European Parliament and of the Council ("the Regulation") and Law no. 162/2017 ("the Law"). Our responsibilities under those standards and regulations are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with *International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Romania, including the Regulation and the Law 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

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

1. Valuation of financial assets

As at 31 December 2017, the Group carried financial assets at fair value through profit or loss at RON 103,976,353 (31 December 2016: RON 84,736,635) and available for sale financial assets at RON 740,304,867 (31 December 2016: RON 561,882,211).

The carrying amount of fair value reserves for financial assets available for sale as at 31 December 2017 is RON 232,358,948 (31 December 2016: RON 148,557,349).

Net gain from financial assets at fair value through profit or loss recognized in 2017 is RON 38,728,317 (31 December 2016: net loss RON 9,153,219).

Impairment losses recognised in 2017 with respect to financial assets available for sale is RON 954,946 (31 December 2016: RON 7,463,958).

Refer to the following notes to the consolidated financial statements:

- Note 4 (d) *Significant accounting policies, Financial assets and liabilities*
- Note 6 *Use of estimates and judgments*
- Note 9 (c) *Net gain/(loss) from financial instruments*
- Note 13 *Impairment losses on assets*
- Note 17 *Financial assets and liabilities*

The key audit matter

As described in Note 4 (d) *Significant accounting policies, Financial assets and liabilities* to the consolidated financial statements:

- financial assets at fair value through profit or loss are recognized at fair value in the consolidated statement of financial position;

How the matter was addressed in our audit

Our audit procedures in this area included, among others:

- We tested the key controls the Group has in place for the prevention, detection and correction of errors in the process of

and

- available for sale financial assets are recognised at fair value, with the exception of those assets for which fair value cannot be determined reliably at the reporting date, which are carried at cost and tested annually for impairment.

Valuation of financial assets at fair value through profit or loss and available for sale financial assets involves the exercise of significant judgement and the use of assumptions and estimates. The risk is that these valuations are misstated.

Of the financial instruments that are stated at fair value, RON 513,594,361, representing 67% of financial assets measured at fair value were classified as Level 1 in the fair value hierarchy at 31 December 2017. The remaining 33%, RON 250,912,763 were classified as Level 3 valuations, because the valuations techniques use significant inputs which are unobservable.

With respect to the Level 1 fair values, a judgment is required to determine whether the relevant markets are liquid enough to conclude that Level 1 categorization is appropriate.

With respect to the Level 3 fair values - unit funds and structured products that do not have a quoted market price in an active market, the Company uses valuation techniques.

The valuations based on unobservable inputs require significant judgments and assumptions from the management of S.A.I. Muntenia Invest S.A. (the administrator of the Company) to estimate the fair value.

Other matters related to the valuation of financial assets that require significant judgement include identifying impairment indicators, assessing whether a decline in fair value is significant or prolonged and whether the fair value of financial assets carried at cost which are classified as available for sale (RON 79,774,096 as at 31 December 2017) cannot be reliably determined.

Due to the significant judgement and assumptions required in relation to valuation of financial assets we have considered this area as a key audit matter.

valuation of financial assets.

The key controls refer to: annual assessment of the active market criteria for quoted shares and annual analysis of indicators of impairment for available for sale financial assets.

- For a sample of companies, we evaluated whether fair value of shares carried at cost and classified as available for sales could not be reliably determined by the Group by considering the available data and by evaluating the range of fair value estimates determined for those entities.
- We obtained confirmation letters from external counterparties on the holdings of the Group and the underlying fair values of unit funds and we evaluated the Group's estimates in respect of the fair values by assessing the valuation of the assets underlying the unit funds.
- For a sample of available for sale financial assets we assessed whether the Group has appropriately identified the impairment indicators and whether they were appropriately reflected in the valuation of the respective assets, by:
 - Challenging the assumptions made by the management of S.A.I. Muntenia Invest S.A. in terms of whether impairment indicators exist or not by independently searching for impairment indicators in relation to those businesses in publicly available databases (such as published financial results, court of law portals);
 - Assessing whether a decline in fair value for quoted shares is significant or prolonged in accordance with the applicable accounting framework.
- We assessed the appropriateness of the categorization within the fair value hierarchy by considering liquidity of relevant markets, which included our evaluation of the Group's analysis of volume and frequency of trade on those markets.
- We assessed the adequacy and accuracy of the disclosures in the consolidated financial statements in relation to valuation of financial instruments against the relevant financial reporting requirements.

2. Valuation of investment property and land and buildings for own use

As at 31 December 2017, the Group carried land at RON 77,290,722 (31 December 2016: RON 80,773,279), buildings at RON 95,909,171 (31 December 2016: RON 94,696,143) and investment property at RON 216,097,639 (31 December 2016: RON 205,696,019).

The carrying amount of the revaluation reserves for land and buildings as at 31 December 2017 is RON 150,371,232 (31 December 2016: RON 142,622,659).

Net gain from valuation of investment property recognized in 2017 is RON 3,924,378 (31 December 2016: net gain RON 449,660).

Refer to the following notes to the consolidated financial statements:

- Note 4 (h) *Significant accounting policies, Investment Property*
- Note 4 (k) *Significant accounting policies, Tangible fixed assets*
- Note 6 *Use of estimates and judgments*
- Note 10 *Other income and gains*
- Note 20 *Investment property*
- Note 22 *Tangible fixed assets*

The key audit matter	How the matter was addressed in our audit
<p>The Group's investment properties include land and buildings carried at fair value. In addition, the Group has chosen the fair value model as accounting policy for land and buildings for own use (tangible fixed assets).</p> <p>The Group's management engaged external experts to determine the fair value of the investment properties and of the land and buildings for own use as of 31 December 2017.</p> <p>The carrying amount of investment property and that of land and building for own use as at 31 December 2017 represent a significant portion of the total assets of the Group. In addition, valuation of the properties involves the use by management of significant judgments and assumptions. As a result of these matters, we determined this area to be a key audit matter.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> — We tested internal controls over valuation of investment properties and land and buildings for own use in particular whether the Group's management was properly involved in selection of external valuers, supervision over data transfer to external valuers, including key assumptions and also whether the management was appropriately involved in the assessment of valuation results; — We evaluated the competence, experience and objectivity of the external valuers engaged by management and also the scope of work, and in particular any limitations of the scope of work of the experts that, in our view, could affect the valuation results. — We involved our own valuation specialists who assisted us in assessing the appropriateness of the valuation methods and challenging the key assumptions used in the valuation, such as yield rates, rent rates and occupancy ratios by comparing a sample of these inputs to externally derived data on real estate market trend, yields and occupancy ratios for similar properties. — We assessed the adequacy and accuracy of the disclosures in the consolidated financial statements in relation to valuation of

investment property and land and buildings for own use against the relevant financial reporting requirements.

3. Revenue recognition

For the year-ended 31 December 2017, the Group recognized revenues from the different operating segments, as follows:

- sale of cereals, seeds and other products: RON 76,780,146 (2016: RON 60,480,543)
- raising poultry: RON 48,360,550 (2016: RON 45,882,895)
- sale of medicines: RON 170,007,519 (2016: RON 152,894,354)
- other activities: RON 89,388,946 (2016: RON 82,496,097)

Refer to the following notes to the consolidated financial statements:

- Note 4 (p) *Significant accounting policies, Revenue from sale of goods and rendering of services*
- Note 7 *Operating segments*
- Note 9 *Operating income*
- Note 10 *Other income and gains*

The key audit matter	How the matter was addressed in our audit
<p>The accounting policy for recognition of revenues is disclosed in Note 4 (p) <i>Significant accounting policies, Revenues from sale of goods and rendering of services</i>.</p> <p>A. Revenue from sale of medicines:</p> <p>As described in Note 9 (a), during the financial year ended 31 December 2017, a significant subsidiary of the Group generated revenues of RON 168,290,921 from the sale of goods to pharmaceutical distributors. The subsidiary generates revenues through wholesale of products to distributors, the net price being determined based on contractual terms.</p> <p>Revenues are initially recognised at the moment of distribution, when an estimate of trade discounts is also made. The estimate is based on turnover, contractual terms and promotional campaigns. However, determination of the final amount of trade discounts may take place after several months of trade taking into consideration total sales realized during that period.</p> <p>We identified this area as a key audit matter due to the multitude and variety of contractual terms involved, which makes the estimation of discounts and rebates recognised based on sales made during the year a complex process.</p> <p>B. Revenues from sale of cereals, seeds</p>	<p>Our audit procedures in this area included, among others:</p> <p>A. Revenue from sale of medicines</p> <ul style="list-style-type: none"> — For a sample of key customers, we inspected the contractual terms and recalculated the amounts of trade discounts related to the year ended 31 December 2017 by reference to those terms — We independently developed our own expectations as to the total amount of discounts and rebates for 2017 based on the historical proportion of discounts and rebates in total revenue, corroborated with our understanding of the business strategy of the subsidiary. <p>We obtained confirmations from third parties for a sample of trade receivables (including accruals for discounts and rebates) outstanding as at 31 December 2017, we assessed any significant differences between confirmations received and the amounts recognised by the subsidiary by inspecting relevant supporting documentation</p> <p>B. Revenues from sale of cereals, seeds and other products, raising poultry and other activities</p>

and other products, raising poultry and other activities

We identified revenue recognition as a key audit matter due to the fact that revenues represent one of the key performance indicators of the subsidiaries that generated them, therefore there is an inherent fraud risk in relation to their recognition by management, in order to meet specific objectives and stakeholders' expectations.

- We tested the key controls the Group has in place for the prevention, detection and correction of fraud and errors in the process of revenue recognition. This procedure included testing the controls based on deliveries and collections for a sample of transactions from 2017.
- We obtained confirmations from third parties for a sample of trade receivables outstanding as at 31 December 2017 and we assessed any significant differences between the confirmations received and the amounts recognised by the Group by inspecting relevant supporting documentation.
- For a sample of sales transactions recognised around the year end we evaluated whether revenue was recognized in the appropriate accounting period by comparing the transactions with relevant underlying documentation, including delivery notes and the terms of sales as set out in the sales agreements.
- We assessed the adequacy and accuracy of the disclosures in the consolidated financial statements in relation to revenues.

Other information – Consolidated Administrator's Report

The administrator (S.A.I. Muntenia Invest S.A.) is responsible for the preparation and presentation of other information. The Other information comprises the Consolidated Administrator's Report, which includes also the Non-financial Statement, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Consolidated Administrator's Report, we read and report whether the Consolidated Administrator's Report is prepared, in all material respects, in accordance with the Norm of the Financial Supervisory Authority no. 39/2015 articles 29 - 30 of the accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector.

Based solely on the work required to be undertaken in the course of the audit of the consolidated financial statements, in our opinion:

- a) The information given in the Consolidated Administrator's Report for the financial year for which the consolidated financial statements are prepared is consistent, in all material respects, with the consolidated financial statements;
- b) The Consolidated Administrator's Report has been prepared, in all material respects, in accordance with the Norm of the Financial Supervisory Authority no. 39/2015 articles 29 - 30 of the accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector.

In addition, in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit we are required to report if we have identified material misstatements in the Consolidated Administrator's Report. We have nothing to report in this regard.

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

The Management of S.A.I. Muntenia Invest S.A. (the administrator) is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Norm of the Financial Supervisory Authority no. 39/2015 for the approval of accounting regulations in accordance with International Financial Reporting Standards applicable to entities authorised, regulated and supervised by the Financial Supervisory Authority, operating in the Financial Instruments and Investments Sector and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the management of S.A.I. Muntenia Invest S.A. is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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

Auditors' Responsibility for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management of S.A.I. Muntenia Invest S.A.
- Conclude on the appropriateness of the management of S.A.I. Muntenia Invest S.A. 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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 - Public Interest Entities

We were appointed by the Ordinary General Shareholders' Meeting on 31 August 2017 to audit the consolidated financial statements of Societatea de Investitii Financiare Muntenia S.A. for the year ended 31 December 2017. Our total uninterrupted period of engagement is 13 years, covering the periods ending 31 December 2005 to 31 December 2017.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee on the same date.
- we have not provided to the Company the prohibited non-audit services (NASs) referred to in Article 5(1) of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity in conducting the audit.





Other matters

This independent auditors' report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinion we have formed.

The engagement partner on the audit resulting in this independent auditors' report is Grecu Tudor Alexandru.

**Refer to the original
signed Romanian**

For and on behalf of KPMG Audit S.R.L.:

Grecu Tudor Alexandru

registered with the Chamber of Financial
Auditors of Romania under no. 2368/22.01.2008

Bucharest, 2 April 2018

KPMG AUDIT S.R.L.

registered with the Chamber of Financial
Auditors of Romania under no 9/2001

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