

To the Special Administrator – S.C. KPMG Advisory S.R.L. and the Shareholders of,
Societatea Asigurare – Reasigurare ASTRA S.A.

INDEPENDENT AUDITORS' REPORT

Report on the Individual Financial Statements

- 1 We were engaged to audit the accompanying individual financial statements of Societatea Asigurare – Reasigurare ASTRA S.A. ("the Company"), which comprise the balance sheet as at 31 December 2014, the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

■ Total net assets / Equity negative:	871.820.771 RON
■ Profit for the year:	30.704.600 RON

Management's Responsibility for the Individual Financial Statements

- 2 The Special Administrator, KPMG Advisory SRL, in their capacity as management of the Company is responsible for the preparation and fair presentation of these individual financial statements in accordance with Order of the Insurance Supervision Commission (hereinafter "ISC"), currently Financial Supervisory Authority, no. 3129/2005 with the subsequent amendments, 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.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these individual financial statements based on conducting the audit in accordance with the Auditing Standards adopted by the Romanian Chamber of Financial Auditors. Because of the matters described in the Basis for Disclaimer of Opinion paragraph related to the ability of the Company to continue as a going concern, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

- 4 As at December 31, 2014 the Company's net assets reported in the individual financial statements as total assets minus total liabilities, is negative in amount of RON 871.820.771. The Special Administrator recognizes its obligations under Law no. 31/1990, modified by Law no. 441/2006, art. 154.24 arising from this situation. The steps planned to be taken by the Company in this regard have been included in the Special Administrators' Report approved by the Financial Supervisory Authority (hereinafter "FSA") on April 7, 2014 and described in Note 2.c) to these individual financial statements.

- 5 As disclosed in note 2.e) to these individual financial statements, based on the Law 503/2004 regarding financial recovery, bankruptcy, liquidation or dissolution in insurance business, with the subsequent amendments, the FSA has issued Decision no.42/2014, in which it has requested the opening of the financial recovery process. This was due to the noncompliance with the liquidity coefficient and minimum solvency margin by the Company, based on the quarterly regulatory reporting submitted for the fourth quarter of 2013. As reported by the Company to FSA in the monthly prudential reports, at the date of the current audit report the Company continues to be non-compliant with these indicators. This matter is in accordance with the approved financial recovery plan that foresees non-compliance until finalizing the implementation of the measures described in the financial recovery plan.
- 6 KPMG Advisory SRL has been appointed as Special Administrator starting February 18, 2014. The Special Administrator has prepared a financial recovery plan which has been approved by the FSA on April 7, 2014. The plan serves also for the restructuring of the Company through financial and operational measures in order to re-establish the liquidity and solvency margins to comply with statutory requirements. This plan includes several steps to be implemented in order to resolve the financial situation of the Company, and protect the Company from the insolvency proceedings as stipulated in Law 503/2004, with the subsequent amendments. Also, the financial recovery plan presents a share capital increase of RON 490.000.000, planned to be performed in two phases, an initial increase of RON 70.000.000 and a second increase of RON 420.000.000. Until current date, there has been no further changes to the operational and financial measures included in the initial financial recovery plan prepared by the Special Administrator and submitted to the FSA

On October 1st, 2014 the first phase of share capital subscription has been finalized, as the Special Administrator issued the Decision no. 63/3.10.2014 based on which the share capital increase of RON 65.084.659 has been approved and the remaining shares at the equivalent of RON 4.915.341 up to the total share capital increase of RON 70.000.000 have been cancelled. The increased share capital has been subscribed and paid by the current shareholder on October 1, 2014. The capital contribution was approved by FSA through its decision No. 280/19.02.2015 and it was registered to the Trade Registry on February 25, 2015.

The second share capital increase up to RON 490.000.000 initially planned for January 2015 has been delayed and is pending negotiation with shareholders and potential investors. The compliance with all statutory requirements by the Company depends on the successful implementation of the operational measures set out in the financial recovery plan and/or an additional share capital increase. We were not able to obtain further evidence on the status of these negotiations.

As indicated in the financial recovery plan prepared by the Special Administrator, a critical step for the share capital increase and reinstatement of the financial stability of the Company in the foreseeable future is the identification of a strategic investor or a group of strategic investors. These steps are at early stages and consequently, the binding willingness and ability of these potential investors to restate the financial stability of the Company is uncertain.

- 7 One operational measure of the Financial Recovery Plan proposed by the Special Administrator and approved by FSA consists in the amicable resolution of the litigation generated by the insurance policies underwritten for SC ROMSTRADE SA. However, as described in Note 2.e), on October 14th, 2014, Bucharest Court of Appeal has dismissed the appeal of the Company as unfounded. As consequence, CNADNR (the beneficiary of the insurance policy) is in the position to be potentially request forced execution of the litigation file and collection of the amount agreed under Court Decision of RON 94.885.786. The Company filed recourse on February 2015 to this decision. However, on April 6, 2015 through the Decision no. 13693, the legal executor communicated to the Company the initiation of forced execution and proceeded to restrict all bank and treasury accounts. The Company performed several legal and administrative actions, and on April 14, 2015 it has obtained Court preliminary suspension on the restriction of the bank accounts up until further settlement of forced execution request, which is to be cleared at a subsequent date. The Company has fully provided for the amount in its individual financial statements. The outcome of both the litigation and execution process is uncertain as of the date of this report.
- 8 As presented in Note 2.e) and as a result of the significant uncertainties described in the paragraphs above regarding the outcome of the financial recovery plan, the Company's ability to fulfil its current and future contractual obligations depends mainly on further capital increases and a successful completion of a potential transaction with an investor, the FSA's further acceptance of regulatory non-compliance, continuous support of the current major shareholder and on-going business activities. In the absence of such combined support, the Company will be experiencing significant financial difficulties in generating sufficient cash flows to meet its obligations towards creditors and policy holders in the normal course of business and sustain its operations and regulatory requirements in the foreseeable future. As of the date of our report we were not able to obtain sufficient appropriate evidence proving that the Company would be able to meet its obligations under this scenario. This casts significant doubts on its ability to continue as a going concern in the foreseeable future. The individual financial statements do not include any adjustments that might result from the outcome of any of these uncertainties.

Disclaimer of Opinion

- 9 Because of the multiple uncertainties described in the Basis for Disclaimer of Opinion paragraph, and the significance of these to the individual financial statements taken as a whole, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the individual financial statements of the Company. Accordingly, we do not express an opinion on the individual financial statements.

Emphasis of Matter

- 10 As presented in Note 13, the individual financial statements include reported and incurred and not-reported claim technical provisions estimated as of December 31, 2014 at RON 702,767,565. These have been determined by the management based on actuarial methods that include significant assumptions and estimates, which are subject to significant uncertainties, risks and judgments. The actual amounts realized upon claims development may materially differ from estimated amounts presented in the individual financial statements.
- 11 As described in Note 10, the Company registered VAT receivables related to repair costs invoices for insured vehicles under property of various leasing companies. The recovery of these amounts depends on the ability of the Company and related leasing entities to successfully settle these amounts with the state authorities within the established maturity of recovering. Actual recoveries may differ from the recoverable amounts shown in these individual financial statements. These individual financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Other Matters

12 This report is addressed solely to the Special Administrator of the Company and its shareholders, as a body. We were engaged to perform audit procedures so that we might state to the Special Administrators of the Company and its shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than its shareholders as a body, for our work and for this report.

Report on conformity of the Administrators' Report with the Individual Financial Statements

In accordance with the Order of the Insurance Supervision Committee no. 3129/2005, article no. 312 we have read the Administrators' Report attached to the individual financial statements. The Administrators' Report is not a part of the individual financial statements. In the Administrators' Report we have not identified any historic financial information which is not in accordance, in all material respects, with the information presented in the accompanying individual financial statements as at December 31, 2014. However and as stated above, we would like to draw the attention to the fact that we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion and we did not express an opinion on these individual financial statements.

Ahmed Hassan, Audit Partner

<i>For signature, please refer to the original Romanian version</i>

*Registered with the Romanian Financial Auditors' Chamber
under no. 1529/25.11.2003*

On the behalf of:

DELOITTE AUDIT S.R.L.

*Registered with the Romanian Financial Auditors' Chamber
under no.25/25.06.2001*

Bucharest, Romania
May 15, 2015