

Translation from Romanian

SOCIETATEA ASIGURARE – REASIGURARE ASTRA S.A.

DIRECTOR'S REPORT

31 DECEMBER 2013

1. The Romanian insurance market in 2013 and evolutions

Throughout the year 2013, the non-life and the life insurance market recorded premiums underwritten of RON 8,124,654,841 - a level showing a decrease by RON 132,260,109 versus the premiums underwritten of the year 2012 in amount of RON 8,256,914,950. Out of total premiums in 2013, non-life insurance accounted for RON 6,490,358,402 and life insurance for RON 1,634,296,439.

The dynamics of gross written premiums for non-life and life insurance between 2009 and 2013

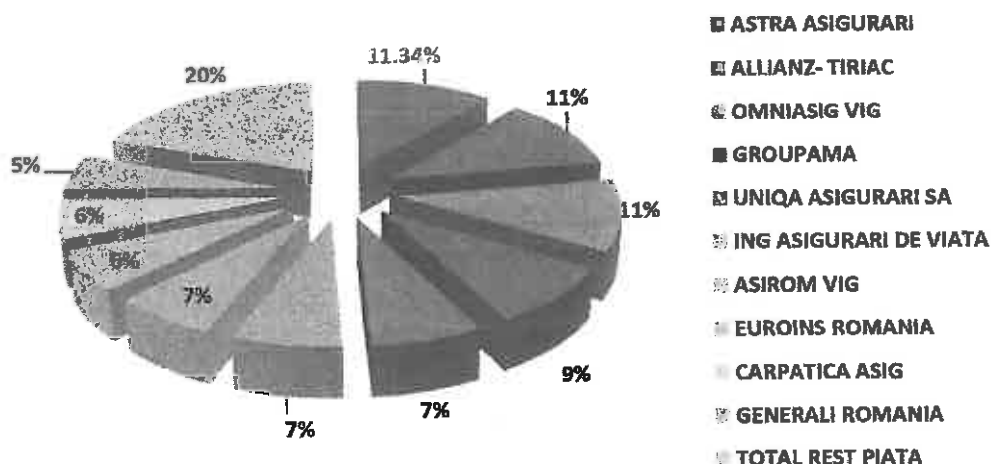
Year	Gross written premiums (RON)	Nominal increase versus the previous year (%)	Annual average inflation rate (%)	Real increase versus the previous year (%)
2009	8,869,746,957	-0.74%	5.59%	-6.00%
2010	8,305,402,152	-6.36%	6.09%	-11.74%
2011	7,822,309,952	-5.82%	5.79%	-10.97%
2012	8,256,914,950	5.56%	3.33%	2.15%
2013	8,124,654,841	-1.60%	3.98%	-5.37%

Source: Annual report 2013 issued by the Insurance Supervisory Authority

In regard to companies' ranking on the insurance market, no modifications in the structure of the first 10 companies have been noticed, while changes in the hierarchy have been minimal. Astra Asigurari has kept its leading position, even if the Romanian insurance market has recorded a decrease by 1.60% in nominal terms and by 5.37% in real terms.



MAREKT SHARE PER TOTAL INSURERS



Source: Annual report 2013 issued by the Financial Supervisory Authority

In 2013, ASTRA Asigurari was number 1 on the insurance market with premiums underwritten of RON 921,493,884 surpassing Allianz –Tiriac si Omniasig Vig.

PLAC E	COMPANY NAME	TOTAL PBS 2013	MARKET SHARE TOTAL INSURERS
1	ASTRA ASIGURARI	921,493,884	11.34%
2	ALLIANZ- TIRIAC	918,775,736	11.31%
3	OMNIASIG VIG	881,103,941	10.84%
4	GROUPAMA	717,601,525	8.83%
5	UNIQA ASIGURARI SA	570,149,623	7.02%
6	ING LIFE INSURANCE	559,593,663	6.89%
7	ASIROM VIG	544,098,985	6.70%
8	EUROINS ROMANIA	509,776,744	6.21%
9	CARPATICA ASIG	483,069,445	5.95%
10	GENERALI ROMANIA	438,707,010	5.40%
	TOTAL TOP 10	6,544,370,556	80.49%
	TOTAL 2013	8,124,654,841	100.00%
	TOTAL REMAINDER MARKET	1,580,284,285	19.51%
	WEIGHT in TOTAL 2013	100.00%	
	TOTAL 2012	8,256,914,950	
	WEIGHT in TOTAL 2012	100.00%	
	EVOLUTION IN NOMINAL TERMS 2013/2012	-1.60%	

Source: Annual report 2013 issued by the Financial Supervisory Authority



Second on the market is Allianz-Tiriac, with premiums of RON 918,775,736 increasing by 2.07% versus 2012 and a market share of 11.31% and the third place is taken by Omniasig Vig, increasing by 10.83% in premiums versus 2012 and the market share to 10.84%.

The total volume of gross written premiums for non-life insurance in 2013 was of RON 6,490,358,402 recording a nominal increase of 0.56% versus 2012, which means a decrease by 3.29% in real terms.

	COMPANY NAME	TOTAL PBS NON-LIFE	NON-LIFE MARKET SHARE
1	ASTRA ASIGURARI	907,211,516	13.98%
2	OMNIASIG VIG	881,103,941	13.58%
3	ALLIANZ- TIRIAC	824,062,484	12.70%
4	GROUPAMA	675,478,631	10.41%
5	UNIQA ASIGURARI SA	570,149,623	8.78%
6	EUROINS ROMANIA	504,776,744	7.78%
7	CARPATICA ASIG	483,069,445	7.44%
8	ASIROM VIG	455,086,301	7.01%
9	GENERALI ROMANIA	354,319,719	5.46%
10	CITY INSURANCE	304,722,582	4.70%
	TOTAL TOP 10	5,959,980,987	91.83%
	TOTAL 2013	6,490,358,402	100.00%
	TOTAL REMAINDER MARKET	530,377,415	8.17%
	WEIGHT OF TOTAL 2013	100.00%	
	TOTAL 2012	6,454,395,818	
	WEIGHT OF TOTAL 2012	100.00%	
	EVOLUTION IN NOMINAL TERMS 2013/2012	0.56%	

Source: Annual report 2013 issued by the Financial Supervisory Authority

The analysis of data reported shows that 10 companies have cumulated an amount of RON 5,959,980,987 which represents 91.83% of the total value for this activity segment.

The largest weight in total gross written premiums for non-life insurance was held by class X – Motor Third Party Liability (37.93% versus 33.11% in the year 2012), class III – Motor Hull (27.19% versus 29.70% in the year 2012), class VIII – Catastrophe and other naturals perils (16.34% versus 16.75% in the year 2012).

The cumulated value of gross written premiums in 2013 for life insurance, as reported by insurance companies authorized to underwrite this insurance class was of RON 1,634,296,439 recording a nominal decrease by 9.33% versus year 2012, or a real decrease by 12.80%.

In 2013, life insurance continued to show a high degree of concentration, with 10 companies accounting for 89.63 % of the total number of premiums underwritten in this segment, with cumulated premiums of RON 1,464,871,890.

	COMPANY NAME	TOTAL PBS LIFE	LIFE INSURANCE MARKET SHARE
1	ING LIFE INSURANCE	559,593,663	34.24%
2	BCR LIFE INSURANCE VIG	213,350,111	13.05%
3	METROPOLITAN LIFE	140,546,162	8.60%
4	ALICO ASIGURARI	121,761,688	7.45%
5	ALLIANZ- TIRIAC	94,713,252	5.80%
6	ASIROM VIG	89,012,684	5.45%
7	GENERALI ROMANIA	84,387,291	5.16%
8	BRD LIFE INSURANCE	69,569,678	4.26%
9	GRAWE ROMANIA	49,814,467	3.05%
10	GROUPAMA	42,122,894	2.58%
	TOTAL TOP 10	1,464,871,890	89.75%
	TOTAL 2013	1,634,296,439	100.00%
	TOTAL REMAINDER MARKET	169,424,549	10.25%
	WEIGHT IN TOTAL 2013	100.00%	
	TOTAL 2012	1,802,519,132	
	WEIGHT IN TOTAL 2012	100.00%	
	EVOLUTION IN NOMINAL TERMS 2013/2012	-9.33%	

Source: Annual report 2013 issued by the Financial Supervisory Authority

The main ranking change in life insurance is Metropolitan Life, which has climbed to the third place versus the 7th place occupied in 2012. ING remains the leader, with an increase in premiums underwritten (2.76% versus the previous year), more significant increases being recorded only by Metropolitan (113.26% versus 2012).

Compared to 2012, the share held by the top 10 companies in terms of premiums underwritten for life insurance recorded a decrease by 2.28 percentage points, from 91.91% to 89.63%.



2. PRESENTATION OF THE COMPANY

S.C. ASIGURARE-REASIGURARE ASTRA S.A. ((hereinafter referred to as the "Company" or "Astra") is a legal entity registered in Romania on 1 January 1991. ASTRA is authorised to carry on insurance and reinsurance activities through its central office in Bucharest, Strada Nerva Traian, nr. 3, Sector 3 and through its branches, agencies and working points in Bucharest and the rest of the country. The Company's main activity is non-life and life insurance.

Under Decision no.42/2014 regarding the initiation of the financial recovery procedure through special administration of Societatea de Asigurare Reasigurare ASTRA S.A., published in the Official Journal, Part I, no. 120 of 18.02.2014 and implemented under Decision no. 43/2014 and Decision no. 66/2014, S.C. KPMG Advisory S.R.L was appointed by the Financial Supervisory Authority ("ASF") as Special Administrator of ASTRA.

The company carries on its activity in Romania through the central office located in Bucharest, 50 branches, 147 agencies, 30 working points and 1 regional centre located in Bucharest (2012: 46 branches, 164 agencies, 30 working points and 1 regional centre located in Bucharest) located countrywide and overseas through three branches: Hungary (opened in 2010), Slovakia (opened in 2012) and Germany (opened in 2014).

The tangible and intangible assets and liabilities structure of the branch located in Hungary as at 31 December 2013 was as follows: total assets RON 7,723,897 (31 December 2012: RON 74,656,239); total liabilities RON 7,883,502 (31 December 2012: RON 94,710,339), losses RON 22,776,776 (2012: RON 13,096,613).

The tangible and intangible assets and liabilities structure of the branch located in Slovakia as at 31 December 2013 was as follows: total assets RON 306,975 (31 December 2012: RON 60,643); total liabilities RON 3,693,746 (31 December 2012: 144,927 RON), losses RON 3,301,238 (2012: RON 84,464).

As at 31 December 2013, the Company held shares in the following entities:

RON	31 December 2013 % of the share capital	31 December 2012 % of the share capital
SC ASTRA SAFE IMOB SRL	95	95
SC ASTRA TRAINING SRL	95	95
SC ASTRA ACTIV SRL	95	95
SC NOVACUART SRL	100	100

The share capital of the Company is represented by 72,448,321 shares (31 December 2012: 72,448,321 shares) having a nominal value of RON 2.66 each, equal to the one presented at 31 December 2012. The shareholder structure as at 31 December 2012 and 31 December 2013 is presented below:

RON	31 December 2012		31 December 2013	
	RON	%	RON	%
THE NOVA GROUP INVESTMENTS ROMANIA SA	140,069,256	72.68	140,069,256	72.68
EPSILON ESTATE PROVIDER SRL	52,063,132	27.02	52,063,132	27.02
Individuals and legal entities	580,146	0.30	580,146	0.30
TOTAL	192,712,534	100	192,712,534	100

According to Decision no. 43/2014, the Special Administrator prepared a detailed report on the Company's financial position. This report presents in detail the issues set out in Decision no. 43/2014, *inter alia*: a detailed report on the Company's financial standing based on a due diligence analysis performed by the Special Administrator on the non-audited financial information as at 31 December 2013 and the real and operative possibilities for the financial recovery of the Company, the measures to be undertaken by the Special Administrator for his purpose or, as the case may be, issues that might be an obstacle against the objective of this procedure.

The Company is dependent upon the successful implementation of the measures to be undertaken for financial recovery, set out in the Special Administrator's report submitted to the Financial Supervisory Authority ("ASF") as at 25 March 2014 and approved under ASF Decision no. 117/07.04.2014 (except for two of these measures). The recovery plan included in the Special Administrator's Report seeks to avoid the initiation of bankruptcy procedures and the Company's recovery through measures meant to restore its liquidity and solvency according to realistic and operational measures identified, taking into consideration the applicable economic constraints, the cumulative legal requirements for insurance activities, the stock market and legal entities as well as the complex diagnosis of the Company's worsened, generalized symptoms, accruing over time.



3. EXECUTION OF THE INCOME AND EXPENSE BUDGET 2013
Technical Account – Non-life insurance

Description	Row	As at 31.12.2012	Budgeted 2013	As at 31.12.2013
A	B	1	2	3
1. Earned Premiums, net of reinsurance		x	x	x
a) gross written premiums (+)	01	1,107,387,211	1,280,076,380	905,003,566
b) premiums ceded to reinsurers (-)	02	312,216,145	359,484,512	333,500,295
c) change in unearned premium reserve (+/-)	03	90,424,053	100,874,369	-92,167,082
d) change in unearned premium reserve, ceded in reinsurance (+/-)	04	48,013,774	13,606,027	-151,688,515
TOTAL(rows 01-02-03+04)	05	752,760,787	833,323,526	511,981,838
2. Share of net investment return (difference between investment income and expenses) transferred from non-technical account (+)	06	16,756,707	27,884,625	0
3. Other technical income, net of reinsurance (+)	07	60,444,546	65,000,000	103,834,106
4. Claim expenses, net of reinsurance		x	x	x
a) claims paid (rows 09-10):	08	438,353,702	408,273,748	65,478,327
gross amounts	09	603,349,271	613,143,669	522,107,627
reinsurer's share (-)	10	164,995,569	204,869,921	456,629,300
b) change in claims reserve, net of reinsurance: (+/-)	11	-155,224,304	96,972,483	493,596,007
TOTAL (rows 08+11)	12	283,129,398	505,246,231	559,074,334
5. Change in other technical reserves, net of reinsurance, of which		x	x	x
a)Change in unexpired risks reserve (+/-)	13	0	0	0
b)Change in catastrophe reserve (+/-)	14	51,220,147	10,195,720	5,553,912
c)Change in other technical reserves (+/-)	15	0	5,761,697	0
TOTAL(rows 13+14+15)	16	51,220,147	15,957,417	5,553,912
6. Change in reserve for bonuses and rebates (+/-)	17	0	0	0
7. Net operating expenses, out of which:		x	x	x
a) acquisition costs	18	212,847,465	224,928,313	347,523,378
b) change in deferred acquisition costs (+/-)	19	8,781,382	-3,870,000	44,030,593
c) administrative expenses	20	119,271,355	130,157,194	128,961,052
d) commissions from reinsurers and profit participation (-)	21	14,945,672	17,118,310	14,741,060
TOTAL(rows 18+19+20-21)	22	325,954,530	334,097,197	505,773,963
8. Other technical expenses, net of reinsurance	23	174,044,737	54,000,000	235,793,382
9. Changes in equalization reserve(+/-)	24	0	0	0
10. Technical result for non-life insurance Profit (rows 05+06+07-12-16-17-22-23-24)		0	16.907.305	0
Loss (rows 12+16+17+22+23+24-05-06-07)	25	4.386.772	0	690.379.647



Technical Account – Life Insurance

Description	Row.	As at 31.12.2012	Budgeted 2013	As at 31.12.2013
A	B	1	2	3
1.Earned premiums, net of reinsurance		x	x	x
a) gross written premiums (+)	01	24,157,572	21,201,120	14,282,368
b) premiums ceded to reinsurers (-)	02	116,137	116,407	306,405
c) change in unearned premiums reserve (+/-)	03	-2,053,923	9,367,009	-932,724
TOTAL(rows 01-02-03)	04	26,095,358	11,717,705	14,908,687
2.Investment income		x	x	x
a) Income from investments in associates, out of which:	05	0	0	0
b) income from investments in related parties	07	0	0	982,938
d) Net gains on investments	11	1,199,961		989,607
TOTAL(rows 05+07+10+11)	12	1,199,961	0	1,972,545
4. Other technical income, net of reinsurance	14	0	0	110,962
5. Claim expenses, net of reinsurance		x	x	x
TOTAL (rows 16+19)	15	3,220,625	3,502,204	20,491,187
a) amounts paid (rows 17-18):	16	3,219,581	3,500,000	11,769,926
b) variation of damage reserve (+/-) (rows 20-21)	19	1,044	2,204	8,721,261
- gross amount	20	10,872,794	82,204	149,511
- reinsurer part (-)	21	10,871,750	80,000	-8,571,750
6. Chang in life insurance technical reserves		x	x	X
TOTAL (rows 23+26+29)	22	9,599,247	5,072,370	-7,091,745
a) change in mathematical reserve (rows 24-25)	23	267,394	152,171	1,561,762
b) change in reserve for bonuses and rebates (rows 27-28)	26	9,331,853	4,920,199	-8,653,507
8.Net operating expenses:		x	x	X
a) acquisition costs	35	4,316,074	2,800,000	3,408,702
c) administrative expenses	37	1,283,500	2,290,000	1,168,328
TOTAL(rows 35+36+37-38)	39	5,599,574	5,090,000	4,577,030
9. Investment charges:		x	x	x
a) investment management fee, including interest expense	40	281,903	0	1,586
TOTAL(rows 40+41+42)	43	281,903	0	1,586
11. Other technical expenses, net of reinsurance	45	0	0	128.569
13. Technical result for life insurance		x	x	x
Profit(rows 04+12+13+14-15-22-32-39-43-44-45-46)	47	8,593,970	0	0
Loss (rows15+22+32+39+43+44+45+46-4-12-13-14)	48	0	1,946,869	1,114,433

Non-technical account

Description	Nr. rnd.	As at 31.12.2012	Budgeted 2013	As at 31.12.2013
A	B	1	2	3
1. Technical result for non-life insurance		X	x	X
Profit	01		16,907,305	0
Loss	02	4,386,772		690,379,647
2. Technical result for life insurance		x	x	x
Profit	03	8,593,970	0	0
Loss	04		1,946,869	1,114,433
3. Investment income		x	x	x
a) Income from investments in associates	05	1,445,103	0	960,252
b) Income from other investments	07		0	7,237,409
Income from other investments	10		0	7,237,409
c) Income from release of provisions for impairment losses or investments	11		0	0
d) Net gains on investments	12	17,358,247	28,884,625	4,103,873
TOTAL(rows 05+07+11+12)	13	18,803,350	28,884,625	12,301,534
4. Unrealized gains from investments				111,556
6. Investment charges		x	x	x
TOTAL (rows 17+18+19)	16	2,046,643	0	31,388,546
a) Investment management fees, including interest expense	17	2,004,293	0	1,857,824
b) Charges with provisions for impairment losses on investments	18	0	0	0
c) Realized losses on investments	19	42,350	0	29,530,722
8. Share of net gains from investments transferred to the non-life insurance technical account	21	16,756,707	27,884,625	0
9. Other non-technical income	22	10,057,727	0	4,192,249
10. Other non-technical expenses, including provisions	23	7,269,836	0	210,905,643
15. Current profit or loss		x	x	x
Profit	28	6,995,089	15,960,436	0
Loss	29	0	0	917,182,930
19. Total income	34	1,461,908,608	1,596,532,046	1,186,505,009
20. Total expenses	35	1,454,913,519	1,580,571,609	2,103,687,939
21. Gross result		x	x	x
Profit (rows 34-35); (28-29+32-33);	36	6,995,089	15,960,437	0
Loss (rd 35-34); (rd 29-28+ 33-32);	37	0	0	917,182,930
22. Income tax	38	0	0	145,812
23. Other taxes (not included in the previous rows)	39	324,031	0	0
24. Net result of the period		x	x	x
Profit (rd 36-38-39)	40	6,671,058	15,960,437	0
Loss (rows 37+38+39)	41	0	0	917,328,742



The result of the financial year 2013 is a loss of RON 917,328,742 versus profit as at 31.12.2012 of RON 6,671,058. Compared to the budget assumptions for 2013, the total income in amount of RON 1,186,505,010 has been realized to an extent of 74.32% and total expenses in amount of RON 2,103,687,941 exceeded the budgeted expenses by 33.10%.

Income/Expenses	Realized 2012	Budget 2013	Realized 2013	- thousand Ron - Realized / Budget 2013 %
Total income	1,461,909	1,596,532	1,186,505	74,32
Total expenses	1,455,238	1,580,572	2,103,834	133,10
Profit/Loss	6,671	15,960	917,329	

The turnover net of cancellations in the year 2013 was of RON 1,012,349 versus RON 1,091,188,426 in the year 2012, a decrease by 21.12 %.

	2012	2013	2013/2012 %
Non-life insurance Romania	955,268,992	946,832,618	99.12%
Non-life insurance Hungary	61,694,166	49,609,293	80.41%
Non-life insurance Slovakia	-	728,736	
Life insurance	26,211,495	15,215,092	58.05%
Total turnover	1,043,174,653	1,012,385,740	97.05%

4. TECHNICAL ACTIVITY

4.1. Gross written premiums

Gross written premiums net of cancellations amounted to RON 919,285,934 in 2013 versus RON 1,131,544,783 in 2012, decreasing by 18.76%.

WRITTEN PREMIUMS TOTAL (net of cancellations) in RON	2012	2013	Variation %
Non-life insurance activity			
Romania	1,040,823,618	855,562,914	-17.80%
written premiums	1,076,810,628	1,004,011,301	-6.76%
cancelled premiums	35,987,010	148,448,387	312.51%
Non-life insurance activity			
Hungary	66,563,593	46,447,971	-30.22%
written premiums	85,667,363	71,109,455	-16.99%
cancelled premiums	19,103,770	24,661,484	29.09%
Non-life insurance activity			
Slovakia	-	2,992,681	
written premiums	-	3,062,899	
cancelled premiums	-	70,218	
Life insurance activity			
written premiums	24,157,572	14,282,368	-40.88%
cancelled premiums	28,983,795	15,868,071	-45.25%
	4,826,223	1,585,703	-67.14%
TOTAL	1,131,544,783	919,285,934	-18.76%

The number of cancelled premiums related to non-life insurance in Romania rose by 312.51% in 2013 versus 2012, as a consequence of the inventory of insurance policies.

The number of cancelled premiums related to non-life insurance in Hungary rose by 29.09% in 2013 versus 2012.



4.2. Premiums collected

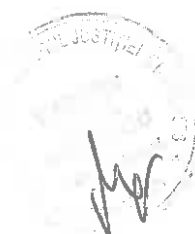
The premiums collected (net of cancellations) from direct insurance and reinsurance accepted in 2013 amounted to RON 883,807,639 decreasing by 15.33% versus the ones collected in 2012 (RON 1,043,852,877).

TOTAL COLLECTED PREMIUMS (net of cancellations) in RON	2012	2013	Variation %
Non-life insurance Romania	954,278,025	816,593,599	-14.43%
Non-life insurance Hungary	62,436,484	50,839,509	-18.57%
Non-life insurance Slovakia	-	2,197,559	-
Life insurance	27,138,368	14,176,972	-47.76%
TOTAL	1,043,852,877	883,807,639	-15.33%

4.3. Claim Expenses

Adjustments in the claims process resulted in claim payments of RON 533,877,538 in 2013 versus RON 606,568,852 in 2012, decreasing by 11.98 % compared to the previous year and a claims to collected premiums ratio of 60%, higher than the one recorded in 2012 (claims to collected premiums in 2012: 58%) .

Claims paid in RON	2012	2013	Variation %
Claims paid for non-life insurance Romania	561,010,744	490,558,470	-13%
Claims paid for non-life insurance Hungary	42,338,527	31,479,431	-26%
Claims paid for non-life insurance Slovakia	-	69,711	-
Claims paid for life insurance	3,219,581	11,769,926	266%
TOTAL	606,568,852	533,877,538	12%



4.4. Acquisition and administrative expenses

Acquisition and administrative expenses amounted to RON 481,061,460 in 2013, higher by 42% as compared to year 2012 (RON 337,718,394).

Investment expenses increased from RON 2,046,642 in 2012 to RON 31,388,546 in 2013. This increase is due to accounting entries in respect to the impairment losses in amount of RON 29,530,722 (see section 4.5 below).

Investment income decreased from RON 18,803,350 to RON 12,301,534 in 2013 due to the fall in interest income (see section 4.6 below).

4.5. Investment expenses

Total investment expenses increased in 2013 following the accounting entries in respect of adjustments to reflect the market value of shares and unit funds in amount of RON 11,691,232 and the impairment losses to financial assets in amount of RON 17,839,490 related to investment in Novacuart.

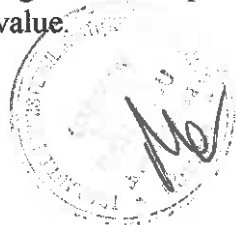
4.6. Investment Income

Investment income for non-life insurance, in the amount of RON 12,301,534 decreased by 34.58% in 2013 against 2012 (RON 18,803,350).

As at 31 December 2012 and 31 December 2013, the structure of dividend income collected by the Company from non-life insurance activity is presented below:

RON	31 December 2012	31 December 2013
GERMANISCHER LLOYD INDUSTRIAL SERVICES ROMANIA S.R.L.	74,226	14,101
BRD Groupe Societe Generale SA	2,804	-
OMV PETROM SA	56,351	-
SC FONDUL PROPRIETATEA SA	404,670	429,345
Societatea de Investitii Financiare MOLDOVA S.A.	192,736	-
Societatea de Investitii Financiare MUNTENIA S.A.	88,470	-
Societatea de Investitii Financiare OLTENIA S.A.	330,694	330,694
Societatea de Investitii Financiare TRANSILVANIA S.A.	115,046	117,600
Societatea de Investitii Financiare Banat-Crişana S.A.	84,336	-
Societatea Nationala de Transport Gaze Naturale TRANSGAZ S.A.	95,770	68,512
TOTAL	1,445,103	960,252

Investment income from life insurance activities, in amount of RON 1,972,545, increased by 64.38% in 2013 versus 2012 (RON 1,199,961). The increase results from the accounting registration of positive value adjustments to reflect long-term and unit fund investments at market value.



5. SOLVENCY, LIQUIDITY AND ASSETS ADMITTED TO COVER TECHNICAL RESERVES

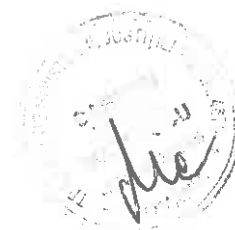
QUOTIENTS	2012	2013
NON-LIFE INSURANCE		
Available solvency margin	168,922,023	-810,151,361
Liquidity quotient	1.1	0.12
Total assets admitted to cover the technical reserves	1,229,436,583	473,678,747
LIFE INSURANCE		
Available solvency margin	33,044,049	31,926,648
Liquidity quotient	1.54	0.94
Total assets admitted to cover the technical reserves	56,880,286	36,207,004

As at 31 December 2013, the solvency margin available for non-life insurance was RON -810,151,361, the minimum solvency margin for non-life insurance was RON 144,770,548, while the security fund was RON 48.256.849. Thus, the solvency margin level for non-life insurance activities is not in line with art. 2, par. (1) under Order no. 3/2008 by the President of the Insurance Supervisory Commission for the implementation of the Norms on the computation of the solvency margin available to insurers carrying on non-life insurance activities, of the minimum solvency margin and the security fund, as amended and supplemented ("Order 3/2008").

As at 31 December 2013, the Company registered a 0.12 liquidity ratio for non-life insurance activities, determined as the ratio between liquid assets and short-term debts to policyholders. Thus the Company did not comply with the provisions of Order 9/2011 by the President of the Insurance Supervisory Commission for the implementation of the Norms on technical reserves for non-life insurance, assets admitted to cover them and the spread of assets admitted to cover gross technical reserves, as well as the liquidity ratio, as subsequently amended and supplemented ("Order 9/2011").

As at 31 December 2013, the Company registered a 0.94 liquidity ratio for life insurance activities, determined as the ratio between liquid assets and short-term debts to policyholders. Thus the Company did not comply with the provisions of Order 8/2011 by the President of the Insurance Supervisory Commission for the implementation of the Norms on technical reserves for life insurance, assets admitted to cover them and the spread of assets admitted to cover gross technical reserves as well as the liquidity ratio, as subsequently amended and supplemented ("Order 8/2011").

As at 31 December 2013, the Company's net asset, determined as the difference between total assets and total liabilities had a negative value. If the Company's net asset, determined as the difference between its total assets and total liabilities, decreased to less than half of the subscribed share capital, pursuant to Law 31/1990 as republished and amended under Law 441/2006, the



Extraordinary General Meeting of Shareholders has to be called to decide on the measures to be taken according to applicable legal requirements.

As at 31 December 2013, the Company registered a negative difference of RON -752,801,050 between the technical reserves and the assets admitted to cover them for non-life insurance therefore not complying with the provisions of Order 9/2011.

According to the analysis performed by the Special Administrator on the Company's financial and operational situation, the net asset could be restored up to a level where the Company would reach the minimum solvency margin, and implicitly, would cover the minimum security fund level through a number of measures, as follows:

- Contribution in cash to the share capital of RON 490 million for which the above mentioned actions were initiated;
- Operational measures with no impact on liquidity (non-cash), with a net effect on the Company's equity, comprising:
 - Extension of the catastrophe risk reinsurance program, including the reduction of the Company's retention to EUR 3 million, a measure that has a net estimated impact of RON 40 Million on Shareholders' equity.
 - Securing/giving in payment intergroup loans (details of these loans are presented in Note 18 to the individual financial statements) having an estimated net impact on net assets of RON 125 Million;
 - Out of court settlement of disputes over insurance contracts with Romstrade (details are presented in Note 13(iii) to the individual financial statements), having a net estimated impact of RON 151 Million on shareholders' equity;
 - Business combination by financial consolidation of life insurance portfolios of a Romanian life insurance entity and Astra, with a net positive effect on the Company's liquidities and equity estimated to RON 118 Million.

These recovery measures under this plan are mainly conditional on the shareholders' commitment to make an initial capital injection and cover the short-term liquidity requirements during the recovery plan and on the interest of potential strategic investors in the Company.

Taking into account the above mentioned aspects, the individual financial statements were prepared based on the going concern principle.

6. INFORMATION ON EMPLOYEES

Payroll and social security:	2012	2013
Payroll expenses	42,624,766	40,186,899
Non-life insurance	41,547,579	39,443,503
Life insurance	1,077,187	743,396



	2012	2013
Social security expenses	11,945,462	11,568,813
Non-life insurance	11,945,462	11,361,622
Life insurance	299,059	207,191
Remuneration of management	710,570	352,286

As at 31 December, the average number of employees, by category, is presented below:

	2012	2013
Management	246	268
Insurance activity staff	616	808
Administrative staff	596	390
Total	1,458	1,466

7. TANGIBLE AND INTANGIBLE ASSETS AND LIABILITIES

The change in the Company's financial position is presented in the following table:

	31 December 2012	31 December 2013	Variation +/-	Variation %
Total assets	1,867,175,673	703,107,158	-1,164,068,516	-62.34%
Total liabilities (including technical reserves)	1,658,992,748	1,477,693,547	-181,299,202	-10.93%
Net book assets (i)	208,182,925	-774,586,389	-982,769,314	-472%



The change in balance sheet items is presented below:

Indicator	31 December 2012	31 December 2013	Variation (RON)	Variation (%)
Intangible assets	6,047,874	3,638,325	-2,409,549	-40%
Land and buildings	86,951,435	80,424,484	-6,526,951	-8%
Advances and investment for land and buildings in progress	4,971,917	-	-4,971,917	-100%
Equity investments in related parties	17,839,490	-	-17,839,490	-100%
Other investment in financial assets	4,457,691	25,449,117	20,991,426	471%
Shares, other variable income securities and unit funds	40,431,361	15,284,891	-25,146,470	-62%
Bonds and other fixed income securities	21,568,644	-	-21,568,644	-100%
Deposits to credit institutions	-	9,672,665	9,672,665	100%
Other financial investments	107,380,153	61,577,477	-45,802,676	-43%
Reinsurer's share of technical reserves for life insurance	10,917,899	2,382,486	-8,535,413	-78%
Amounts receivable from related parties	110,414,606	8,220,754	-102,193,852	-93%
Receivables from direct insurance operations	527,751,678	184,415,571	-343,336,107	-65%
Receivables arising from reinsurance operations	201,957,284	26,036,243	-175,921,041	-87%
Other receivables	121,275,212	55,240,359	-66,034,853	-54%
Tangible assets	10,751,899	8,200,787	-2,551,112	-24%
Inventories	613,891	541,589	-72,302	-12%
Cash at bank and in hand	19,845,427	6,250,901	-13,594,526	-69%
Prepayments	164,428,878	117,111,398	-47,317,480	-29%
TOTAL ASSETS	1,867,175,673	703,107,158	-1,164,068,515	-62%
Capital and reserves	208,182,925	-774,586,389	-982,769,314	-472%
Technical reserves	1,206,689,313	1,258,751,205	52,061,892	4%
Provisions	-	6,497,729	6,497,729	100%
Amounts payable to related parties	-	10,900,834	10,900,834	100%
Liabilities from direct insurance operations	730,488	423,924	-306,564	-42%
Liabilities from reinsurance operations	302,291,299	57,761,055	-244,530,244	-81%
Other liabilities including tax and other social security charges	130,283,940	130,245,213	-38,727	0%
Accruals and deferred income	18,997,708	13,113,586	-5,884,122	-31%



TOTAL LIABILITIES	1,867,175,673	703,107,158	-1,164,065,516	-62%
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As at 31 December 2013, the Company's asset decreased by RON 1,164,068,515 versus the end of the previous year as a consequence of a reconsideration of the accounting policies and to the accurate application of the applicable legislation. The Company recorded additional impairment adjustments related to insurance and reinsurance receivables, subrogation receivables, receivables from affiliated parties or receivables subject to litigation, in total amount of RON 460 million. Retained earnings were also affected by an additional loss of RON 65,440,572 mainly resulting from the cancellation of expired policies, the recognition of insurance premiums for multiannual insurance policies with payment in instalments and the correction of the receivables balance for PAD policies).

Financial tools

As at 31 December the Company had financial investments in:

- Bonds and other fixed income securities;
- Bank deposits;
- Investments in group companies;
- Shares listed on the stock exchange.
- Unit funds

Starting 2013, shares and unit funds have been recorded at market value, their total value being of RON 15,284,891. Shares held by the Company were presented as at 31 December 2012 at an average weighted cost and no impairment adjustments were made. As at 31 December 2013 adjustments were recorded for losses arising from investments, in amount of RON 9,431,027 i.e. gains of RON 111,556 in order to reflect the market value of the shares traded on the stock exchange.

Starting 2013, long-term investments have been recorded at a weighted average cost, their amount being of RON 12,485,921.

Technical reserves

Gross technical reserves in amount of RON 1,258,751,204 in 2013 increased by 4.31% against year 2012 (RON 1,206,689,313).

<i>RON</i>	31 December 2012	31 December 2013
Unearned premiums reserve	705,411,975	424,461,422
Unearned premiums reserve ceded	(164,201,676)	(12,506,856)
<i>Premium reserves net of reinsurance</i>	<i>541,210,299</i>	<i>411,954,566</i>
Claims reserve	356,651,104	677,676,901
Claims reserve ceded	(189,156,113)	(7,880,816)
<i>Claims reserve net of reinsurance</i>	<i>167,494,991</i>	<i>669,796,085</i>



Mathematical reserve	7,731,481	9,293,243
Mathematical reserve ceded	-	-
<i>Mathematical reserve net of reinsurance</i>	<i>7,731,481</i>	<i>9,293,243</i>
Bonuses and rebate reserve	12,382,511	3,729,004
Bonuses and rebate reserve ceded	-	-
<i>Bonuses and rebate reserve net reinsurance</i>	<i>12,382,511</i>	<i>3,729,004</i>
Catastrophe reserve	124,512,242	143,590,635
Catastrophe reserve ceded	(67,130,444)	(80,654,924)
<i>Catastrophe reserve net reinsurance</i>	<i>57,381,798</i>	<i>62,935,711</i>
Total technical reserves	1,206,689,313	1,258,751,205
Reinsurer's share of technical reserves	(420,488,233)	(101,042,596)
Total technical reserves net of reinsurance	786,201,080	1,157,708,609

8. RISK MANAGEMENT

Given the nature of the activities conducted, the Company is exposed to various risks, which include: insurance risk, economic environment risk, interest rate risk, liquidity risk, credit risk, foreign exchange risk, taxation risk, concentration risk, operational risk and reputation risk. The management aims to mitigate the potentially adverse effects associated with these risk factors that could affect the financial performance of the Company.

Insurance risk

When underwriting policies, the Company assumes a technical risk, i.e. the risk of incurring claims related to the written premiums. A concentration of the technical risk could result in significant losses for the Company, if an event or a series of events were to affect an entire insurance class or the country per se. The Company reduces the technical risk using a detailed client assessment, forward established exposure limits, reinsurance programs and a cautious provisioning policy for claims insurance, both reported and unreported.

Risk related to the business climate

Over the past year, the European financial sector has faced a public debt crisis, triggered by major fiscal imbalances and high public debt in several European countries. Current fears that the deteriorating financial conditions, which may contribute in a later stage to a further loss of confidence, led to a joint effort of governments and central banks to adopt special measures and counter the vicious circle of rising risk aversion and ensure the normal functioning of the market.

The identification and assessment of investments influenced by a credit market with liquidity shortages, the review of compliance with debt agreement and other contractual obligations, assessment of significant uncertainties, including uncertainties related to the ability of an entity to continue to operate for a reasonable period of time, all these are bringing their own challenges.



The Company's debtors may also be affected by crisis liquidity situations, which might prevent them from honouring their current liabilities. Deterioration of operating conditions for debtors may also affect estimates of management on future cash flows and estimates on impairment of financial assets and non-financial assets.

To the extent that information is available, the management has included revised estimates of expected future cash flows in its impairment policy.

The Company's management cannot anticipate events that could have an impact on the financial sector in Romania and the effect they may subsequently have on these individual financial statements.

The management of the Company believes that it has taken all necessary measures to support the growth of the Company's business in the current market conditions by:

- constant monitoring of liquidity and dependence on certain funding sources;
- projections of current liquidity;
- obtaining commitment from the majority shareholder to support the Company's operations in Romania;
- reviewing the terms and conditions of funding agreements and consideration of the implications of obligations imposed and risks identified, such as meeting the maturity date or breaching any term or condition of a contract.

Given the fact that current market conditions and uncertainties will continue in 2014 and probably later on, additional effects can be felt beyond the data in these individual financial statements.

Liquidity risk

The Company's liquidity policy is to maintain sufficient liquidities in order to fulfil its obligations once they fall due.

Interest rate risk

The Company has a significant number of assets that generate interest revenue. The Company compensates the future revenues from these assets with its insurance obligations.

Credit risk

Credit Risk represents an accounting loss that is recognized if the contracting parties fail to meet their obligations. To control the exposure to credit risk, the Company makes regular evaluations of the contracting parties' financial position.

The Company is exposed to the credit risk related to financial instruments arising from the possible failure of the contracting parties to meet their payment obligations. However, the management does not expect significant losses, other than the ones recorded in the financial statements.

Foreign exchange rate risk

The Company is exposed to foreign exchange risk as a result of transactions in foreign currencies. In order to avoid losses from adverse fluctuations in foreign exchange rates, the Company currently applies a policy of diversification of its foreign currency portfolio.



Taxation risk

The Romanian tax legislation provides detailed and complex regulations and has undergone various changes in recent years. Interpretation of procedures and practical implementation of tax regulations could vary, and there is a risk that certain transactions could be viewed differently by the tax authorities as compared to the Company's treatment. Furthermore, the Romanian Government has a number of agencies that are authorized to conduct audits of companies operating in Romania. These audits are similar in nature to tax audits performed by tax authorities in many countries, but may extend not only to tax matters but to other legal and regulatory matters in which the agencies may be interested. The Company will likely continue to be subject to regular inspections as new laws and regulations are issued.

Concentration risk

Concentration risk is the Company's exposure to a risk with a potential to generate losses that are high enough to threaten the solvency or financial situation. The company analyses the influence that natural disasters can produce and mitigates the risk through reinsurance or by underwriting policies in different areas to avoid risk concentration in high seismic risk areas.

Operational risk

Operational risk is defined as the possibility of loss or failure to achieve the estimated profits which occurs due to the influence of internal factors (improper conduct of internal activities, the existence of inadequate personnel or systems) or of external factors (economic conditions, changes in the insurance market, technological progress). Operational risk policy includes procedures for identification, assessment, monitoring and control for analysing the operational losses database.

Reputational risk

The company aims to build and preserve a good image on the market and the public confidence in its integrity to prevent registration of losses or failure to realize the estimated profits due to reputational risk.

The Company's management believes that the fair values were recorded in the tax accounts and other debts to the state, however there is a risk that the authorities may have a different position from that of the Company.

9. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Financial recovery through Special Administration

Through Decision no. 42 /18 February 2014, implemented under Decision no. 43/2014 and Decision no. 66/2014, the Financial Supervisory Authority imposed the initiation of a financial recovery procedure through special administration according to the provisions of art. 8 para. (1) letter b) corroborated with the provisions of art. 7 letter a) under Law no. 503/2004 on financial recovery, bankruptcy, dissolution and voluntary liquidation in the insurance sector, as republished, and appointed KPMG Advisory SRL as Special Administrator of the Company.

Pursuant to Decision 42, the legal duties of the Company's significant shareholders and significant persons, the voting rights for the appointment and revocation of the members of the Company's Supervisory Board, the shareholders' right to dividends, the activity and the right to remuneration of the Supervisory Board members were suspended during the entire financial recovery procedure, with the Special Administrator fully taking over the prerogatives of the Company's significant



persons.

Thus, according to Decision no. 43/2014, the Special Administrator examined the activity of the insurance company and prepared a detailed report on its financial position, indicating the actual and operative recovery possibilities of the insurance company and the actions to be undertaken by the Special Administrator in this regard. The Special Administrator's report was submitted to ASF on 25 March 2014. The action plan included in the Administrator's Special Report was approved by ASF under Decision no. 117/07.04.2014 (except for two of the measures included in the plan).

At the date when the financial statements were approved, the Company was in the process of financial recovery through special administration according to an action plan included in the Special Administrator's report and approved by ASF under Decision no. 117/07.04.2014 and the action plan approved by ASF is being implemented under special administration.

Share capital increase

One of the measures included in the approved action plan is the share capital increase with an amount of RON 490 million through an initial share capital contribution, amounting to at least RON 70 Million. On 12 May 2014, the Extraordinary General Meeting of Shareholders (EGMS) approved the delegation to the Special Administrator and the Managing Board (in the event that after the calling of the EGMS the Company's management is resumed by the Managing Board) of the prerogative to increase the Company's share capital. The delegation of the share capital increase prerogative shall be valid for at most one year after the date of the resolution. The Special Administrator / Managing Board may decide, under one or several resolutions, the Company's share capital increase through the issuance of new shares, with amounts that may not exceed in total the amount of RON 490.000.000.

On 27 June 2014, KPMG Advisory SRL, mandated as Special Administrator of Asigurare-Reasigurare ASTRA S.A. by the Financial Supervisory Authority under Decision no. 42/18.02.2014, and in consideration of Resolution no. 1 of 12 May 2014 adopted by EGMS, issued Decision no. 26, approving the Company's share capital increase by contribution in cash with an amount of RON 70,000,001.40, from RON 192,712,533.86 to RON 262,712,535.26, through the issuance of 26,315,790 registered shares with a nominal value of RON 2.66 per share.

According to this decision, the share capital increase will be made in a single step, the new shares being offered for subscription to the shareholders registered in the Shareholders Register on 14 July 2014, which will have the possibility to subscribe the new shares proportional to their participation to the share capital as at that date.

The period during which the new shares may be subscribed will be one month from the date set out in the offer notice and in the proportionate prospectus to be issued by an authorized intermediary and approved by the Financial Supervisory Authority (the "Prospectus"). Shares not subscribed by shareholders with a right of preference within the above period will be cancelled by decision of the Special Administrator.

SPECIAL ADMINISTRATOR,
KPMG Advisory SRL,
By Angela Manolache,
Authorized representative

Signature, stamp

DRAFTED,
Surname and forename:
Puscasiu Antonela
Capacity:

Signature

Stamp of the unit

The undersigned, Carmen-Maria Mateescu, sworn interpreter and translator for the English and German languages by virtue of license no. 4678 from 18 June 2001 issued by the Ministry of Justice from Romania, certify the accuracy of the translation performed from the Romanian language into the English languages, that the presented text was fully translated with no omissions and that by the translation was not distorted the content and meaning of the deed.

A circular official stamp of the Ministry of Justice of Romania, containing the text "ROMANIA" and "MINISTERUL JUSTITIEI". Overlaid on the stamp is a handwritten signature in black ink.