

Independent Auditors' Report (free translation¹)

To
The Special Administrator – SC KPMG Advisory SRL, and
The Shareholders of SOCIETATEA ASIGURARE – REASIGURARE ASTRA S.A.

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 2013, 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:	(774.586.389) RON
■ Loss for the year:	(917.328.742) RON,

Management's Responsibility for the 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, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

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.

Basis for Disclaimer of Opinion

- 4 We were appointed auditors of the Company, by its shareholders on May 12, 2014, which is after the balance sheet date of the individual financial statements. During the course of our audit procedures we noted that significant adjustments have been made to the financial statements of 2013 some of which should have been applied to prior periods. Consequently, we were unable to satisfy ourselves concerning opening balances as at January 1, 2013. Since the opening balances enter into the determination of the financial performance and cash flows, we were unable to determine whether adjustments might have been necessary in respect of the profit for the year reported in the income statements, net cash flows reported in the statement of cash flows and statement of changes in equity for the year end December 31, 2013.
 - 5 As at December 31, 2013 the Company's net assets reported in the individual financial statements as total assets minus total liabilities, is negative in amount of RON 774.586.389. The Special Administrator recognizes its obligations under Law no. 31/1990, modified by Law no. 441/2006, art. 153.24 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 the financial statements and below in this report.
 - 6 As disclosed in note 2 (e) to these individual financial statement, 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 in the monthly prudential reports submitted by the Company to FSA, at the date of the audit report the Company continues to be non-compliant with these indicators, in accordance with the approved financial recovery plan that foresees non-compliance until finalization of the financial recovery plan, respectively January 15, 2015.
 - 7 KPMG Advisory SRL has been appointed as a 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 as at the end of January 2015. The implementation of certain measures in the plan has been delayed and a new timeline is currently under the process of approval of the FSA. This plan includes certain 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. As of the date of this report we have not been able to obtain sufficient appropriate audit evidence regarding the status of formal approval and the certainty about the implementation of the updated, financial recovery plan. Furthermore, as indicated in the initial financial recovery plan prepared by the Special Administrator, a critical step for restating the financial stability of the Company in the foreseeable future is the identification of a strategic investor or investors. These steps are at the non-binding stages of discussions and therefore, as of the date of our audit report, we were not been able to obtain sufficient appropriate audit evidence regarding the binding willingness of these potential investors to restate the financial stability of the Company. The outcome of the on-going negotiations with potential investors is therefore uncertain.
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- 8 As presented in Note 36 to the individual financial statements, the financial recovery plan approved by FSA includes finalizing the acquisition and merger transaction with another Romanian insurance company by January 15, 2015. FSA has requested additional steps to be implemented in order for the successful completion of this transaction. As of the date of this report we have not been able to obtain sufficient appropriate audit evidence regarding the outcome of the transaction.
- 9 The value of reported but not settled claim reserve established for material damages under court litigation is in amount of 233.625.721 RON, computed at the level of amount claimed in court up to the amount insured as per policy contract, in accordance with requirements of ISC Order 19/2012, with subsequent amendments, regarding computation methodology and evidence of technical reserves ("ISC Order 19/2012). As described in Note 13 to these individual financial statements, this reserve includes a number of four claims with a total value of RON 141.985.647 generated by insurance policies underwritten for SC ROMSTRADE SA as insured party. The amicable resolution of SC ROMSTRADE SA litigations is part of the financial recovery plan. However, at the date of the report, the outcome, the timing and the amounts to be ultimately paid by the Company for these litigations are uncertain. The potential negative outcome of these cases would have severe consequences regarding the Company's future liquidity position.
- 10 As a result of the significant uncertainties described in points 5, 7, 8 and 9 above regarding the outcome of the financial recovery plan, the Company's ability to fulfil its current and future contractual obligations may depend primarily on the on-going business activities and the Company may be experiencing significant 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 audit report we were also not able to obtain sufficient appropriate audit evidence proving that the Company would be able to meet its obligations under this scenario, should some of these uncertainties negatively impact the Company this may cast significant doubts about its ability to continue as a going concern in the foreseeable future. The financial statements were prepared by the Company under the going concern principle and, therefore, do not include any adjustments that might result from the Company potentially not being a going concern as a result of these uncertainties.

Disclaimer of Opinion

- 11 Because of the multiple uncertainties described in the Basis for Disclaimer of Opinion paragraph, and the significance of these to the 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. Accordingly, we do not express an opinion on the individual financial statements.

Other Matters

- 12 The financial statements of SOCIETATEA ASIGURARE – REASIGURARE ASTRA S.A. for the year ended December 31, 2012 were audited by another auditor who expressed an unmodified opinion on those statements on April 11, 2013.
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13 This report is addressed solely to the Special Administrator of the Company and its current 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, 2013. 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

Free translation from the original Romanian binding version
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*Registered with the Romanian Financial Auditors' Chamber
under no. 1529/25.11.2003*

On the behalf of:

DELOITTE AUDIT SRL

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

Bucharest, Romania
August 7, 2014
