

CHAMBER OF FINANCIAL AUDITORS IN ROMANIA

Sole administrator: Active Financial Auditor and Authorized Evaluator ANEVAR- COMAN LUCICĂ



AUDIT COMAN EXPERT - ACE SRL

BUCURESTI, Sector 6, Str. Factories, no. 47, Tronson K, et. 5, ap. 4 (K54); CUI RO 8235932,

Reg. Com. J40 / 17278/2006; Share capital 80,000 lei;

Cons: RO95CECETR0130RON0620473;

Tel: 0314273270, Tel. 0745588880, e-mail comanlucicaauditor@yahoo.com;

TO,

Shareholders of COMELF SA

Report on the audit of financial statements

Unreserved opinion

We audited the individual financial statements annexed to the company **COMELF SA (The society)**, with the registered office in Bistrița, industrial street, no.4, identified by VAT code RO568656, which include: the statement of financial position as of December 31, 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year financial statement concluded at this date, as well as a summary of the significant accounting policies and explanatory notes to the financial statements.

The individual financial statements as of December 31, 2019 are identified as follows:

- Total assets: 154,931,916 lei
- total equity: 72,094,682 lei
- profit and other elements of the overall result: 2,624,114 lei

In our opinion, the accompanying individual financial statements provide a faithful picture, in all material respects, of the Company's financial position as of December 31, 2019, as well as of the financial performance and cash flows for the financial year ended at that date, in accordance with with *Compliant accounting regulations with International Financial Reporting Standards* approved by **Order of the Minister of Public Finance no.2844 / 2016**, as subsequently amended and supplemented, as well as the provisions **Order of the Minister of Public Finance no. 3781/2019** regarding *the main elements related to the preparation and submission of the annual financial statements and the annual accounting reports of the economic operators in the territorial units of the Ministry of Public Finance and for the regulation of some accounting aspects.*

The basis for opinion

We conducted our audit in accordance with International Auditing Standards (ISA) et *Law no. 162/2017 regarding the statutory audit of the annual financial statements and the consolidated annual financial statements and amending certain normative acts* (The law). Our responsibilities based on these standards are described in detail in the section "*The auditor's responsibilities in an audit of the financial statements*"From our report. We are independent from the Company, according to *Code of Ethics of Accounting Professionals* issued by the Council for International Standards of Ethics for Accountants (IESBA code), according to the ethical requirements that are relevant to the audit of financial statements in Romania, including the Law, and we have fulfilled our ethical responsibilities according to these requirements and according to the IESBA Code. We believe that the audit evidence we have obtained is sufficient and adequate to provide a basis for our opinion.

Key audit aspects

The key audit aspects are those aspects that, based on our professional judgment, were of the utmost importance for the audit of the individual financial statements of the current period. These issues have been addressed in the context of the audit of the financial statements as a whole and in forming our opinion on them and we do not provide a separate opinion on these issues.

Evaluation of the company's activity regarding risk management related to the economic environment and price risk management

In accordance with ISA 701 at the listed company COMELF SA, we identified two key issues in the audit of the annual financial statements for the financial year ended 31.12.2019, namely:

- a) the risk related to the business environment;
- b) price risk.

We have adapted our audit to address the risks presented above, specifying that these are not the only risks identified by us.

We have established how we have adapted our audit to address these key issues in order to provide an opinion on the financial statements as a whole. and we do not offer a separate opinion on these issues.

(a) The risk related to the business environment

Estimates and concerns of the company's management:

The management of the company reckons that the Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future.

The Company's management estimates the nature of the changes that will take place in the business environment in Romania and what their effect will be on the financial situation and the operational and treasury result of the Company. The main concerns are mainly related to providing the human resources needed for the production process.

Starting from this important aspect for the company, it carries out various actions both at the level of the local authorities and at the level of the central authorities through partner organizations, in order to elaborate measures for the qualification of the labour force, of some incentive measures for the employment classification. , etc.

The management of the Company considers that it cannot predict all the effects of the situation of the economy as a whole that will have an impact on the financial sector in Romania, nor their potential impact on future financial statements.

The management of the Company reckons that it has taken the necessary measures for the sustainability and development of the Company under current market conditions.

The management of the Company estimates that the main challenge for the coming years will be generated by the lack of qualified workforce, which is why the company has identified as a solution the import of the skilled workforce from India and it has already taken the necessary steps.

How our audit addressed key issues

In order to address the risk related to the business environment, our procedures included the following:

- We have asked for the company's estimates that justify the assessment of the company's management that The Romanian economy continues to present the specific characteristics of an emerging economy and there is a significant degree of uncertainty regarding the development of the political, economic and social environment in the future;
- We have requested the company's estimates that justify the assessment of the company's management regarding the nature of the changes that will take place in the business environment in Romania.
- We have asked the company's management for the documents proving the main steps related in particular for providing the human resources needed for the production process and for stimulating the employment.
- We have performed detailed tests.

(b) Price risk

Estimates and concerns of the company's management:

In order to cover the price risk generated by the increase of the basic raw material - metal - the company has entered, in the commercial contracts concluded with the customers, a protection clause that allows it to update the selling price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of the production personnel, for the newly concluded contracts but also for some of the ongoing contracts, the company has managed to amend the protection clause and provide for the update of the price of the products taking into account the evolution of the cost with labour force, based mainly on statistical, public wage developments on the Romanian labour market.

How our audit addressed key issues

To address the price risk our procedures included the following:

- We have asked the management of the company for contracts covering the price risks.
- We have reviewed the contracts received.
- We have performed detailed tests.

Other information

The administrators are responsible for the preparation and presentation of other information. Those other information include the Administrators' Report, the non-financial statement, but do not include the financial statements and the auditor's report on them.

The directors are responsible for the faithful presentation of the development and performance of the company's activities and its position, as well as a description of the main risks and uncertainties it faces. This presentation is a balanced and

comprehensive analysis of the development and performance of its activities and position, correlated with the size and complexity of the activities.

According to point 39 of the Accounting Regulations in accordance with the International Financial Reporting Standards, the company has included in the Management's Report the non-financial statement, as a company having an average number of employees higher than 500 during the financial year 2019.

The non-financial statement contained in the Management's Report contains:

- a brief description of the business model of the company;
- a description of the main activities on Occupational Safety and Health;
- a description of the main activities on the Environment;
- a description of the main activities for the Prevention and Extinction of Fires and Emergency Situations;
- a description of the policies regarding the human resources activity.

Our opinion regarding the financial statements does not cover this information and, unless explicitly mentioned in our report, we do not express any assurance about them.

In connection with the audit of the financial statements for the financial year ended December 31, 2019, it is our responsibility to read those other information and, in this process, to assess whether those other information are significantly inconsistent with the financial statements, or with the knowledge we gained during the audit, or if they appear to be significantly distorted.

Regarding the Management's Report, we have read and made sure it has been prepared, in all material respects, in accordance with *Chapter 3 Administrators' report from Accounting regulations compliant with International Financial Reporting Standards*, approved by the OMFP no. 2844/2016, with subsequent changes and additions.

In the Management's Report:

- we have identified the inclusion, in all significant aspects, of the information required by the Accounting Regulations approved by OMFP no. 2844/2016, as subsequently amended and supplemented;
- we have not identified information that is not consistent, in all material respects, with the information presented in the individual financial statements attached;

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the financial year ended December 31, 2019, we are required to report whether we have identified material misstatement in the Management's Report. We have nothing to report on this.

Management responsibilities for financial statements

The management of the Company is responsible for the preparation of the financial statements that provide a faithful image in accordance with the accounting regulations approved by OMFP no.2844 / 2016, with the subsequent modifications and additions and for that internal control that the management considers necessary to allow the preparation of statements. financials without significant distortions, caused either by fraud or error.

In the preparation of the financial statements, the management is responsible for evaluating the Company's ability to continue its activity and for using the accounting based on the continuity of the activity. The management does not intend to liquidate the Company.

In accordance with ISA 560 - *Subsequent events* and with ISA 570 - *Continuing the activity*, are included in the explanatory note no. 30, references to the measures taken by the company for the continuation of the activity by which the impact of the COVID-19 pandemic and of the consequences of the state of necessity established on the

Romanian territory will have a degree of insignificant uncertainty about the risk of continuing the activity.

The persons in charge for the management of the company are responsible for overseeing the financial reporting process of the Company.

The auditor's responsibilities in an audit of the financial statements

Our objectives are to obtain reasonable assurance as to the extent to which the financial statements as a whole are free from material misstatement, caused either by fraud or error, as well as by issuing an auditor's report that includes our opinion. Reasonable insurance represents a high level of insurance, but it is not a guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions can be caused either by fraud or error and are considered significant if it can reasonably be expected that these, individually or cumulatively, will influence the economic decisions of the users, based on these financial statements.

As part of an audit in accordance with the ISA, we exercise professional judgment and maintain professional skepticism throughout the audit.

Also:

- We identify and evaluate the risks of material misstatement of the financial statements, caused either by fraud or error, we design and perform audit procedures in response to those risks and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a significant distortion caused by fraud is higher than that of not detecting a significant distortion caused by error, because the fraud can involve secret understandings, false, intentional omissions, false statements and avoidance of internal control.
- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without having the purpose of expressing an opinion on the effectiveness of the internal control of the Company.

- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and related presentations of information made by management.
- We draw a conclusion on the adequacy of the management's use of accounting on the basis of business continuity and determine, based on the audit evidence obtained, whether there is significant uncertainty about events or conditions that could raise significant doubts about the Company's capacity to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related presentations in the financial statements or, if these presentations are inadequate, change our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease its activity based on the principle of continuity of activity.
- We evaluate the presentation, structure and content of financial statements, including information disclosures, and the extent to which the financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

We brief the responsible persons from the management of the company, among other aspects, about the planned area and the timely scheduling of the audit, as well as the main findings of the audit, including any significant deficiencies of the internal control, which we identify during the audit.

We also provide a statement to the persons in charge of the management that we have complied with the relevant ethical requirements regarding independence and that we have communicated to them all relationships and other matters that could reasonably be expected to affect our independence and, where it is where appropriate, the related protective measures.

Other aspects

This independent auditor's report is addressed exclusively to the Company's shareholders as a whole. Our audit was conducted in order to report to the shareholders of the Company those aspects that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we do not accept or assume responsibility except to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion expressed,

On behalf of:

AUDIT COMAN EXPERT - ACE SRL

Registered Office: Bucharest, sector 6, 44 Fabricii str., Tronson K, et. 5, ap. K54.

registered with the Chamber of Financial Auditors in Romania with the number 053/2001

Coman Lucică - active financial auditor

Card no. 181 issued by CAFR.

date: 03/27/2020

