

CHAMBER OF FINANCIAL AUDITORS IN ROMANIA

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



AUDIT COMAN EXPERT - ACE SRL

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

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

Account: **RO95CECETR0130RON0620473**;

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

ATTN.,

Shareholders of COMELF SA

Report on the audit of financial statements

Unreserved opinion

We audited the company's accompanying individual financial statements **COMELF SA (The Company)**, with its registered office in Bistrita, 4, Industriei Street, identified by the TAX Identification code RO568656, which include: the statement of financial position as of December 31, 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year concluded at that date, as well as the explanatory notes to the financial statements, including a summary of significant accounting policies.

The individual financial statements as of 31 December 2020 are identified as follows:

- Total assets: 142,395,837 lei
- Total equity: 72,927,063 lei
- profit and other comprehensive income: 2,702,863 lei

In our opinion, the accompanying individual financial statements provide a true and fair view, in all material respects, of the Company's financial position as at 31 December 2020, as well as its financial performance and cash flows for the year ended, in accordance with *Compliant accounting regulations with International Financial Reporting Standards* approved by **Order of the Minister of Public Finance no. 2844/2016 for the approval of the Accounting Regulations compliant with the International Financial Reporting Standards**, with subsequent amendments and completions, as well as with the provisions **Order of the Minister of Finance no. 58/2021 on the main issues related to the preparation and submission of annual financial statements and annual accounting reports of economic operators to the territorial units of the Ministry of Finance and for the regulation of certain accounting aspects.**

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and *Law no. 162/2017 on the statutory audit of the annual financial statements and the consolidated annual financial statements and amending some regulations* (The law). Our responsibilities under these standards are described in detail in the section "*Auditor's responsibilities in an audit of financial statements*" in our report. We are independent of the Company, according to *Code of Ethics for Professional Accountants* issued by the Council for International Standards of Ethics for Accountants (IESBA code), according to the ethical requirements that are relevant for the audit of financial statements in Romania, including the Law, and we have fulfilled our ethical responsibilities according to 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 items

The key audit aspects are those that, based on our professional judgment, were of the greatest importance for the audit of the individual financial statements for the current period, in accordance with ISA 701. These issues have been addressed in the context of the audit of the financial statements as a whole and in the formation of our opinion on them, and we do not provide a separate opinion on these issues.

The valuation of the investment activity leads to the Company's exposure to a variety of risks associated with the financial instruments held and the financial markets in which it operates.

The significant risks to which the company is exposed, from those presented in Note 4 to the financial statements are:

- ✓ price risk;
- ✓ the risk related to the economic environment.

The COVID -19 crisis continues to represent a risk that may affect the Company's activity due to: the risk of staff illness, as well as the risk for the Company's customers and/or suppliers of encountering economic difficulties. In Note 3 to the financial statements it is mentioned, *“the individual financial statements are prepared on the assumption that the Company will continue its activity in the foreseeable future. In order to evaluate the applicability of this hypothesis, the management reviews the forecasts regarding the future cash inflows.”*

According to ISA 570 - *Continuation of the activity*, the measures taken by the company determine an insignificant degree of uncertainty on the risk of continuing the activity as a result of the COVID - 19 pandemic.

We have adapted our audit to address the risks set out above in order to provide an opinion on the financial statements as a whole and we do not provide a separate opinion on these issues.

(a) The risk related to the economic environment.

Estimates and concerns of the company's management:

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

from this important aspect for the company, it carries out various steps both at the level of local authorities and at the level of central authorities through partner organizations, in order to develop measures to qualify the workforce, incentives for employment, etc.

The Company's management 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 its potential impact on future financial statements.

The management of the Company considers that it has adopted the necessary measures for the sustainability and development of the Company in the current market conditions.

The Company's management estimates that the main challenge for the coming years will be generated by the lack of skilled labor, which is why the company has identified as a solution the import of skilled labor from India starting with the necessary steps.

How our audit addressed the key issues

To address the risk related to the economic environment, our procedures included the following:

- We have requested the company's estimates that justify the company's management's assessment 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 justifying the company's management's assessment of the nature of the changes that will take place in the Romanian economic environment.

- We asked the company's management for documents proving the main steps related in particular to ensuring the human resources necessary for the production process and incentives for employment.

- We did 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 included in the commercial contracts concluded with customers, a protection clause that allows it to update the sale price if the price of the basic raw material increases. In the current economic context marked by a significant fluctuation, especially of directly productive staff, for newly concluded contracts but also for some of the ongoing contracts, the company managed to complete the protection clause and updating the price of products taking into account the evolution of cost with labour force, based mainly on statistical, public wage developments on the Romanian labour market.

How our audit addressed the key issues

To address price risk, our procedures included the following:

- We have asked the company's management for contracts that cover price risks.
- We have reviewed the contracts received.
- We did detailed tests.

Other information

Administrators are responsible for compiling and presenting other information. That other information includes the Directors' Report, non-financial statement, but does not include the financial statements and the auditor's report thereon.

Administrators are responsible for presenting an accurate description 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 review of the development and performance of activities and its position, correlated with the size and complexity of activities.

According to point 39 of the Accounting Regulations compliant with the International Financial Reporting Standards, the company, with an average number of more than 500 employees during the financial year 2020, included in the Directors' Report the non-financial statement.

The non-financial statement contained in the Directors' Report includes:

- a brief description of the company's business model;

- 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 Fire Prevention and Extinguishing and Emergency Situations;
- a description of the policies regarding the human resources activity.

Our opinion on the financial statements does not also cover this information, and unless explicitly stated in our report, we do not express any assurance about it.

In connection with the audit of the financial statements for the financial year ended 31 December 2020, it is our responsibility to read that other information and, in doing so, to assess whether that other information is significantly inconsistent with the financial statements, or with the knowledge we gained during the audit, or if it appears to be significantly distorted.

With regard to the Directors' Report, I have read and ensure that it is prepared, in all material respects, in accordance with *Chapter 3 Report of the administrators from Accounting regulations in accordance with International Financial Reporting Standards*, approved by OMFP no. 2844/2016, with subsequent amendments and completions.

In the Administrators' Report:

- we identified the inclusion, in all significant aspects, of the information required by the Accounting Regulations approved by OMFP no. 2844/2016, with subsequent amendments and completions;
- we have not identified information that is inconsistent, in all material respects, with the information presented in the accompanying individual financial statements.

In addition, based on our knowledge and understanding of the Company and its environment, acquired during the audit of the financial statements for the year ended December 31, 2020, we are required to report whether we have identified material misstatements in the Directors' Report. We have nothing to report on this issue.

Management responsibilities for financial statements

The Company's management is responsible for preparing the financial statements that provide a true and fair view in accordance with the accounting regulations approved by OMFP no. 2844/2016, with subsequent amendments and completions and for that internal control that management deems necessary to allow the preparation of financial statements. free from material misstatement, caused by either fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue its operations and for using accounting based on business continuity. The management does not intend to liquidate the Company.

In accordance with ISA 560 - *Subsequent events* and with ISA 570 - *Continuation of the activity*, in explanatory note no. 30 states that *there are no significant events to report*.

The persons responsible for the management of the company are responsible for supervising the financial reporting process of the Company.

Auditor's responsibilities in an audit of 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, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but there is no guarantee that an audit conducted in accordance with the ISA will always detect a significant misstatement, if any. Distortions may be caused by either fraud or error and are considered significant if it can reasonably be expected that they, individually or cumulatively, will influence users' economic decisions based on these financial statements.

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

Also:

- We identify and assess the risks of material misstatement of the financial statements, caused by either fraud or error, design, and perform audit procedures in response to those risks, and obtain sufficient and appropriate audit evidence to provide

a basis for our opinion. The risk of not detecting a significant misstatement caused by fraud is higher than the risk of not detecting a significant misstatement caused by error, as fraud may involve secret agreements, forgery, intentional omissions, misrepresentation, and circumvention of internal control.

- We understand the internal control relevant to the audit, in order to design audit procedures appropriate to the circumstances, but without the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- We assess the adequacy of the accounting policies used and the reasonableness of the accounting estimates and disclosures made by management.
- We draw a conclusion on the adequacy of management's use of accounting based on 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 ability to continue its activity. If we conclude that there is significant uncertainty, we must draw attention in the auditor's report to the related disclosures in the financial statements or, if those disclosures 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 business on a going concern basis.
 - We evaluate the presentation, structure, and content of financial statements, including disclosures, and the extent to which financial statements reflect the underlying transactions and events in a manner that results in a fair presentation.

We communicate to those responsible for the company's management, among other things, the planned area and timing of the audit, as well as the main findings of the audit, including any significant deficiencies in internal control, which we identify during the audit.

We also provide a statement to those responsible 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 assumed to affect our independence and, where applicable, our independence. case, the related protection measures.

Other aspects

This independent auditor's report is addressed exclusively to the Company's shareholders as a whole. Our audit was performed to report to the Company's shareholders those issues that we must report in a financial audit report, and not for other purposes. To the extent permitted by law, we accept and assume no liability other than to the Company and its shareholders, as a whole, for our audit, for this report or for the opinion formed.

On behalf of the audit firm

AUDIT COMAN EXPERT - ACE SRL

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

registered at the Romanian Chamber of Financial Auditors with number 053/2001

Coman Lucică - active financial auditor

Card no.181 issued by CAFR.